BLACKMORES LIMITED

(A.B.N. 35 009 713 437)

Financial Report for the Half-Year Ended 31 December 2008

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Contents

BLACKMORES LIMITED

DIRECTORS' REPORT

The Directors of Blackmores Limited submit herewith the financial report of Blackmores Limited and its subsidiaries (the Company) for the half-year ended 31 December 2008. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

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

Marcus C. Blackmore
Stephen J. Chapman
Verilyn C. Fitzgerald
Christine W. Holgate (appointed 25 November 2008)
Robert L. Stovold
Jennifer A. Tait (resigned 29 August 2008)
Naseema Sparks
Brent W. Wallace

REVIEW OF OPERATIONS

The Directors report that revenue for the six months to 31 December 2008 was $96,265,000 (2007: $90,899,000), an increase of 5.9%. The group profit after tax for the period was $11,953,000 (2007: $12,253,000) a decrease of 2.4 % on last year. These results have been reviewed by our auditors.

INTERIM DIVIDEND

The board has declared an interim dividend of 39 cents per share fully franked (2007: 39 cents fully franked), to be paid to shareholders registered at 5.00 pm on 5 March 2009 and to be paid on 19 March 2009.

DIVIDEND REINVESTMENT PLAN

A total of 81,702 shares to the value of $1,307,000 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 was 7.5%.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 5 of the half-year financial report.

ROUNDING OFF OF 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, 19 February 2009

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

19 February 2009

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 2008, 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

DELOITTE TOUCHE TOHMATSU

P Forrester

P G Forrester
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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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 balance sheet as at 31 December 2008, and the income statement, cash flow statement, statement of recognised income and expense 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 8 to 28.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 Blackmores Limited's financial position as at 31 December 2008 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.

Deloitte.

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 company's financial position as at 31 December 2008 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

P Forrester

P G Forrester
Partner
Chartered Accountants
Parramatta, 19 February 2009

BLACKMORES LIMITED

DIRECTORS' DECLARATION

The Directors declare that:

(a) in the Directors' opinion there are reasonable grounds to believe that the disclosing entity 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 consolidated entity.

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, 19 February 2009

CONDENSED CONSOLIDATED INCOME STATEMENT
for the half year ended 31 December 2008

	Half Year ended 31 December 08 $000	Half Year ended 31 December 07 $000
Revenue	**96,265**	90,899
Other income	**10**	237
Promotional and other rebates	**(8,335)**	(6,968)
Changes in inventories of finished goods and work in progress	**(213)**	753
Raw materials and consumables used	**(31,420)**	(29,524)
Employee benefits expense	**(19,732)**	(19,507)
Depreciation and amortisation expenses	**(820)**	(815)
Borrowing costs	**(325)**	(222)
Selling and marketing expenses	**(8,890)**	(10,593)
Professional and consulting expenses	**(791)**	(972)
Operating lease rental expenses	**(1,372)**	(1,331)
Repairs and maintenance expenses	**(800)**	(640)
Freight expenses	**(1,358)**	(1,297)
Other expenses from ordinary activities	**(4,844)**	(2,441)
Profit Before Income Tax Expense	**17,375**	17,579
Income tax expense	**(5,422)**	(5,326)
Profit Attributable to Members of the Parent Entity	**11,953**	12,253

Earnings Per Share		
Basic earnings per share	**73.1**	75.8 cents
Diluted earnings per share	**72.9**	75.8 cents

Notes to the condensed consolidated financial statements are included on pages 13 to 28.

CONDENSED CONSOLIDATED BALANCE SHEET
as at 31 December 2008

	31 December 08	30 June 08
	$000	$000
Current Assets		
Cash and cash equivalents	**9,672**	12,153
Trade and other receivables	**31,232**	28,216
Other financial assets	**-**	1,777
Inventories	**19,840**	17,506
Other	**2,215**	2,111
Total Current Assets	**62,959**	61,763
Non-Current Assets		
Property, plant and equipment	**67,554**	53,769
Deferred tax assets	**2,370**	1,332
Other	**15**	10
Total Non-Current Assets	**69,939**	55,111
Total Assets	**132,898**	116,874
Current Liabilities		
Trade and other payables	**18,223**	21,035
Borrowings	**3,000**	-
Other financial liabilities	**3,811**	-
Current tax liabilities	**3,291**	3,407
Provisions	**3,225**	3,351
Total Current Liabilities	**31,550**	27,793
Non-Current Liabilities		
Borrowings	**44,356**	37,956
Deferred tax liabilities	**184**	174
Provisions	**651**	600
Total Non-Current Liabilities	**45,191**	38,730
Total Liabilities	**76,741**	66,523
Net Assets	**56,157**	50,351
Equity		
Issued capital	**20,571**	19,264
Reserves	**2,076**	1,257
Retained earnings	**33,510**	29,830
Total Equity	**56,157**	50,351

Notes to the condensed consolidated financial statements are included on pages 13 to 28.

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

for the half year ended 31 December 2008

	Half Year ended 31 December 08 $000	Half Year ended 31 December 07 $000
(Decrease)/increase in hedging reserve arising on recognition of unrealised (losses)/gains on interest rate swaps	**(3,042)**	479
Related income tax on items taken to equity	**1,038**	(144)
Increase/(decrease) in foreign currency translation reserve arising on translation of foreign operations	**2,706**	(141)
Net income recognised directly in equity	**702**	194
Profit for the period	**11,953**	12,253
Total recognised income and expense for the period	**12,655**	12,447
Attributable to equity holders of the parent	**12,655**	12,447

Notes to the condensed consolidated financial statements are included on pages 13 to 28.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the half year ended 31 December 2008

	Half Year ended 31 December 08 $000 Inflows (Outflows)	Half Year ended 31 December 07 $000 Inflows (Outflows)
Cash Flows From Operating Activities		
Receipts from customers	**110,023**	103,333
Payments to suppliers and employees	**(95,579)**	(89,404)
Interest and other costs of finance paid	**(325)**	(259)
Income taxes paid	**(5,615)**	(4,344)
Net cash provided by operating activities	**8,504**	9,326
Cash Flows From Investing Activities		
Interest and bill discounts received	**173**	244
Payment for property, plant and equipment [1]	**(14,595)**	(13,259)
Proceeds from sale of property, plant and equipment	**13**	-
Net cash used in investing activities	**(14,409)**	(13,015)
Cash Flows From Financing Activities		
Proceeds from borrowings	**11,900**	10,067
Repayment of borrowings	**(2,500)**	-
Dividend paid to members of the parent entity [2]	**(6,966)**	(6,483)
Other	**-**	16
Net cash provided by financing activities	**2,434**	3,600
Net (Decrease)/Increase In Cash And Cash Equivalents	**(3,471)**	(89)
Cash And Cash Equivalents At The Beginning Of The Half-Year	**12,153**	10,129
Effect of exchange rate changes on the balance of cash held in foreign currencies	**990**	-
Cash And Cash Equivalents At The End Of The Half Year	**9,672**	10,040

Notes to the condensed consolidated financial statements are included on pages 13 to 28.

[1] included in 'Payment for property, plant and equipment' is $1,100,000 (2007: $1,027,000) of interest and borrowing costs associated with the construction of new facilities at Warriewood, NSW.

[2] dividend payments totalled $8,273,000 (2007: $7,396,000) of which $1,307,000 (2007: $913,000) relates to shares created under the Dividend Reinvestment Plan. The balance of $6,966,000 (2007; $6,483,000) was paid as cash to members.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

1. SUMMARY OF ACCOUNTING POLICIES

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 notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

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 adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2008 annual financial report for the financial year ended 30 June 2008.

SIGNIFICANT ACCOUNTING POLICIES

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

(a) CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and cash in banks. 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 balance sheet.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the half year ended 31 December 2008

(b) FINANCIAL ASSETS

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the Company financial statements. 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.

(c) IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial assets, including uncollectible trade receivables, is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment is reversed through profit and loss to the extent that the carrying amount of the investment at the date that the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

The consolidated entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the consolidated entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the consolidated entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the consolidated entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the consolidated entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(d) INVENTORIES
Inventories are valued 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 to be incurred in marketing, selling and distribution.

(e) 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 consolidated entity's accounting policy. Depreciation of these assets, are on the same basis as other property assets, commencing when the assets are ready for their intended use.

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

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

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

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

(f) IMPAIRMENT OF LONG LIVED ASSETS
At each reporting date, the consolidated entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(f) IMPAIRMENT OF LONG LIVED ASSETS (CONTINUED)
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 assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(g) FINANCIAL INSTRUMENTS ISSUED BY THE COMPANY

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

FINANCIAL LIABILITIES
Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest recognised on an effective yield basis. The effective interest rate 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.

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

TRANSACTION COSTS ON THE ISSUE OF EQUITY INSTRUMENTS
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

DIVIDENDS
Dividends are classified as distributions of profit.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(h) PRINCIPLES OF CONSOLIDATION
The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 ‘Consolidated and Separate Financial Statements’. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit or loss in the period of acquisition.

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

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

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

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

(j) LEASED ASSETS
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.

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

Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(k) RESEARCH AND DEVELOPMENT COSTS
Research and development costs are recognised as an expense as incurred.

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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

ONEROUS CONTRACTS
An onerous contract is considered to exist where the consolidated entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

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

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

DEFINED CONTRIBUTION PLANS
Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

(n) REVENUE RECOGNITION

SALE OF GOODS
Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(n) REVENUE RECOGNITION (CONTINUED)

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

DIVIDEND AND INTEREST REVENUE
Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(o) FOREIGN CURRENCY

INDIVIDUAL SUBSIDIARIES
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 results and financial position of each entity are expressed in Australian dollars, which is the functional currency of Blackmores Limited, and the presentation currency for the consolidated financial statements.

FOREIGN CURRENCY TRANSACTIONS
In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(o) FOREIGN CURRENCY (CONTINUED)

FOREIGN OPERATIONS

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognised in the foreign currency translation reserve, and recognised in profit or loss on disposal of the foreign operation.

(p) SHARE-BASED PAYMENTS

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

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

At each reporting date, the consolidated entity revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(q) GOODS AND SERVICES TAX

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(r) INCOME TAX

CURRENT TAX
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

DEFERRED TAX
Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these 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.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

(r) INCOME TAX (CONTINUED)

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

(s) DERIVATIVE FINANCIAL INSTRUMENTS
The consolidated entity 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.

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. The consolidated entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations. Derivatives not designated into an effective hedge relationship are classified as a current asset or current liability.

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

HEDGE ACCOUNTING
The consolidated entity 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 currency risk on firm commitments are accounted for as cash flow hedges.

At inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedging item, along with its risk management objectives and its strategy for undertaking various hedging transactions.

Furthermore, at the inception of the hedge and on an ongoing basis, the consolidated entity documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(s) DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

FAIR VALUE HEDGES
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedge accounting is discontinued when the consolidated entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedging risk is amortised to profit or loss from that date.

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

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

HEDGES OF NET INVESTMENTS IN FOREIGN OPERATIONS
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any net gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately to profit or loss and included in the 'other expense or other income' line of the income statement. Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss when the foreign operation is disposed of.

DERIVATIVES THAT DO NOT QUALIFY FOR HEDGE ACCOUNTING
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(s) DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

EMBEDDED DERIVATIVES
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

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

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

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

As described in note 1 (e), the consolidated entity reviews the useful lives of property, plant and equipment at the end of each annual reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the half year ended 31 December 2008

2. DIVIDENDS

	2008		2007	
	Cents per Share	**Total $000**	Cents per Share	Total $000
Fully Paid Ordinary shares				
Recognised Amounts				
Final dividend paid in respect of prior financial Year:	51	8,273	46	7,396
Franked to 100%				
Fully Paid Ordinary shares				
Unrecognised Amounts				
Interim dividend:	39	6,356	39	6,288
Franked to 100%				

The interim dividend for the half-year ended 31 December 2008 has not been recognised because the interim dividend was declared subsequent to 31 December 2008. 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 19 February 2009, the directors declared a fully franked interim dividend of 39 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2008, to be paid to shareholders on 19 March 2009.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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3. SEGMENT INFORMATION

Segment Revenues for the half year ended 31 December 2008

	External Sales		Inter-segment (i)		Other		Total	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	$000	$000	**$000**	$000	**$000**	$000	**$000**	$000
Australia	**79,684**	76,824	**6,710**	4,400	**173**	206	**86,567**	81,430
New Zealand	**1,462**	1,669	**-**	98	**425**	420	**1,887**	2,187
Asia	**14,497**	11,722	**-**	-	**-**	-	**14,497**	11,722
Other	**9**	34	**-**	-	**15**	24	**24**	58
Total of all segments							**102,975**	95,397
Eliminations							**(6,710)**	(4,498)
Consolidated							**96,265**	90,899

The above is regarded as a single business segment for reporting purposes.

(i) Inter-segment sales are recorded at cost plus 10%. Pricing is set using a budgeted exchange rate and reviewed at regular intervals, currently once a year.

Segment Results for the half year ended 31 December 2008

	2008	2007
	$000	$000
Australia	**15,853**	15,932
New Zealand	**342**	462
Asia	**1,300**	1,171
Other	**14**	13
Total of all Segments	**17,509**	17,578
Eliminations	**(134)**	1
Profit Before Income Tax Expense	**17,375**	17,579
Income Tax Expense	**(5,422)**	(5,326)
Net Profit	**11,953**	12,253

For management purposes, the consolidated entity is organised into three major operating divisions – Australia, New Zealand and Asia. These divisions are the basis on which the consolidated entity reports its primary segment information. The principal activity in each instance is the manufacture and marketing of health products including vitamin, herbal and mineral nutritional supplements. This activity is regarded as being a single business segment for reporting purposes.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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4. ISSUANCES OF EQUITY SECURITIES

During the half-year reporting period, the Company issued 81,702 (2007: 44,074) ordinary shares for $1,307,000 (2007: $913,000) under its Dividend Reinvestment Plan and 33,576 (2007: 42,519) ordinary shares for $nil (2007: $nil) under its executive and employee share plans. There were no other movements in the ordinary shares capital or other issues 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. If the performance and employment vesting conditions are met, the minimum number of ordinary shares granted was 9,726 and the maximum number of ordinary shares granted was 38,905 (2007: 29,513). These shares had a fair value at grant date of $18.20 per share (2007: $21.77).

During the half year the Company appointed Ms Christine Holgate to the positions of Chief Executive Officer and Managing Director of the Company. Pursuant to Listing Rule 10.14 the Company obtained approval from shareholders in the Annual General Meeting of 20 November 2008 to issue Performance Shares under the Company Executive Performance Share Plan to Ms Holgate. The maximum amount of Performance Shares that maybe acquired by Ms Holgate under the Plan is 102,000 over a 3-year period commencing on the date of the 2008 Annual General Meeting. As part of this approved issue the Company subsequently granted Ms Holgate entitlements to an allocation of ordinary shares provided specific performance hurdles are met for the current financial year. The minimum number of ordinary shares granted was 5,024 and the maximum number of ordinary shares granted was 20,096.

The appointment of Ms Holgate resulted in the Company granting entitlements to a further allocation of ordinary shares under the Company Executive Performance Share Plan provided certain performance hurdles are met in future years. Approval will be sought from shareholders in the 2009 Annual General Meeting pursuant to Listing Rule 10.14. Subsequent to shareholder approval the Company will grant entitlements rights to a maximum of 50,360 ordinary shares to be issued from June 2010 to June 2013 in 2 parts:
Part 1 – Share rights to 30,216 shares which will be offered for issue after audit clearance of the 2010 full year accounts provided certain performance hurdles are met. The shares may be forfeited in certain circumstances if the employment contract is terminated prior to 30 June 2011.
Part 2 - Rights to 20,144 shares which will be offered for issue after audit clearance of the 2013 full year accounts provided certain performance hurdles are met. The shares may be forfeited in certain circumstances if the employment contract is terminated prior to 30 June 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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5. CONTINGENT ASSETS/LIABILITIES AND COMMITMENTS

The Company has received variations from the building contractor in respect of the construction of the Company's new building at Warriewood. There are a number of these claims that the Directors believe are not justified in their totality and will be addressed in accordance with the contractual arrangements. No liability has been recorded in relation to these variation claims as at 31 December 2008.

There have been no other material changes since the 30 June 2008 Annual Financial Report, other than general contracts relating to the construction of the new facilities at Warriewood.