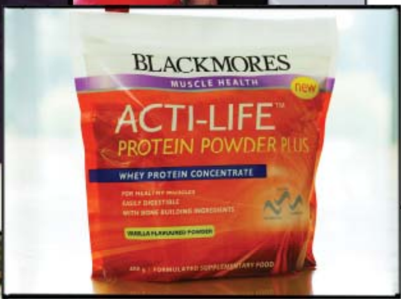

BLACKMORES LIMITED

Financial Report

for the Half-Year Ended
31 December 2011

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THE BEST OF HEALTH
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AUSTRALIA'S LEADING NATURAL HEALTH BRAND

BLACKMORES LIMITED ABN 35 009 713 437

CONTENTS

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 2011. 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 2011 were $127,007,000 (2010: $116,737,000), an increase of 8.8%. The Group profit after tax for the half-year was $14,252,000 (2010: $14,242,000) an increase of 0.1% 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 (2010: 44 cents fully franked), to be paid to shareholders registered at 5.00 pm on 8 March 2012 and to be paid on 22 March 2012.

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.

Marcus C. Blackmore AM
Chairman

Sydney, 23 February 2012

DECLARATION OF INDEPENDENCE

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

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PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

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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

23 February 2012

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 2011, 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

Delaney

X Delaney
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REVIEW REPORT

Deloitte Touche Tohmatsu
A.B.N. 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 condensed consolidated statement of financial position as at 31 December 2011, 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 2011 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.

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 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 company's financial position as at 31 December 2011 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

Delaney

X Delaney
Partner
Chartered Accountants
Sydney, 23 February 2012

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.

MARCUS C. BLACKMORE AM
Chairman
Sydney, 23 February 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

		CONSOLIDATED	
	NOTES	HALF-YEAR ENDED 31 DECEMBER 2011 $000	HALF-YEAR ENDED 31 DECEMBER 2010 $000
Sales	4	**127,007**	116,737
Royalties	4	**396**	448
Other income		**451**	1,116
Revenue and other income		**127,854**	118,301
Promotional and other rebates		**12,870**	11,787
Changes in inventories of finished goods		**962**	(4,012)
Raw materials and consumables used		**37,913**	40,146
Employee benefits expense		**28,452**	27,007
Selling and marketing expenses		**12,085**	9,788
Depreciation and amortisation expense		**2,378**	2,254
Operating lease rental expenses		**861**	659
Professional and consulting expenses		**1,962**	1,557
Repairs and maintenance expenses		**1,326**	1,155
Freight expenses		**1,967**	1,477
Bank charges		**606**	570
Other expenses		**4,524**	4,307
Total expenses		**105,906**	96,695
Earnings before interest and tax		**21,948**	21,606
Interest revenue		**81**	109
Interest expense		**(1,293)**	(1,238)
Net interest expense		**(1,212)**	(1,129)
Profit before tax		**20,736**	20,477
Income tax expense		**(6,484)**	(6,235)
Profit for the period	4	**14,252**	14,242
EARNINGS PER SHARE			
Basic (cents per share)		**85.0**	85.2
Diluted (cents per share)		**85.0**	85.2

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 2011

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2011 $000	HALF-YEAR ENDED 31 DECEMBER 2010 $000
Profit for the period	**14,252**	14,242
Other comprehensive income		
(Loss)/gain recognised on cash flow hedges	**(435)**	188
Exchange differences arising on translation of foreign controlled entities	**137**	(1,449)
Income tax relating to components of other comprehensive income	**131**	(57)
Other comprehensive income for the period, (net of tax)	**(167)**	(1,318)
Total comprehensive income for the period	**14,085**	12,924

Notes to the condensed consolidated Financial Statements are included on pages 13 to 21.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2011

		CONSOLIDATED	
	NOTES	AS AT 31 DECEMBER 2011 $000	AS AT 30 JUNE 2011 $000
CURRENT ASSETS			
Cash and bank balances		**11,032**	10,168
Receivables		**41,695**	43,030
Inventories		**27,331**	23,749
Other		**2,533**	1,574
Total current assets		**82,591**	78,521
NON-CURRENT ASSETS			
Receivables		**2,500**	2,500
Property, plant and equipment		**65,657**	64,926
Investment property		**2,160**	2,160
Investments		**144**	-
Other intangible assets		**1,892**	2,012
Goodwill		**657**	657
Deferred tax assets		**2,518**	2,335
Other		**20**	19
Total non-current assets		**75,548**	74,609
Total assets	4	**158,139**	153,130
CURRENT LIABILITIES			
Trade and other payables		**23,037**	25,843
Current tax payables		**2,691**	3,570
Other financial liabilities		**660**	155
Provisions		**3,582**	3,653
Other		**27**	-
Total current liabilities		**29,997**	33,221
NON-CURRENT LIABILITIES			
Borrowings	7	**47,000**	40,000
Deferred tax liabilities		**-**	5
Provisions		**1,029**	792
Total non-current liabilities		**48,029**	40,797
Total liabilities		**78,026**	74,018
Net assets		**80,113**	79,112
EQUITY			
Issued capital		**25,348**	25,348
Reserves		**1,767**	1,594
Retained earnings		**52,998**	52,170
Total equity		**80,113**	79,112

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 2011

	ISSUED CAPITAL $000	EQUITY SETTLED EMPLOYEE BENEFITS RESERVE $000	HEDGE RESERVE $000	FOREIGN CURRENCY TRANSLATION RESERVE $000	RETAINED EARNINGS $000	TOTAL EQUITY $000
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 period	-	-	-	-	14,242	14,242
Other comprehensive income for the period, net of income tax	-	-	131	(1,449)	-	(1,318)
Total comprehensive income for the period	-	-	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
Balance as at 1 July 2011	**25,348**	**4,805**	**(157)**	**(3,054)**	**52,170**	**79,112**
Dividend declared	**-**	**-**	**-**	**-**	**(13,424)**	**(13,424)**
Profit for the period	**-**	**-**	**-**	**-**	**14,252**	**14,252**
Other comprehensive income for the period, net of income tax	**-**	**-**	**(304)**	**137**	**-**	**(167)**
Total comprehensive income for the period	**-**	**-**	**(304)**	**137**	**14,252**	**14,085**
Recognition of share-based payments	**-**	**340**	**-**	**-**	**-**	**340**
Balance as at 31 December 2011	**25,348**	**5,145**	**(461)**	**(2,917)**	**52,998**	**80,113**

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 2011

		CONSOLIDATED	
	NOTES	HALF-YEAR ENDED 31 DECEMBER 2011 $000	HALF-YEAR ENDED 31 DECEMBER 2010 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**139,850**	124,759
Payments to suppliers and employees[1]		**(120,953)**	(104,482)
Cash generated from operations		**18,897**	20,277
Interest and other costs of finance paid		**(1,279)**	(1,238)
Income tax paid		**(7,420)**	(6,796)
Net cash provided by operating activities	5	**10,198**	12,243
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**81**	109
Payment for acquisition of subsidiary, net of cash acquired	6	**-**	(1,968)
Payment for acquisition of investments		**(144)**	-
Payment for property, plant and equipment		**(2,833)**	(1,275)
Net cash used in investing activities		**(2,896)**	(3,134)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from/(repayments of) borrowings		**7,000**	(5,356)
Dividends paid	3	**(13,424)**	(11,740)
Other		**(200)**	(75)
Net cash used in financing activities		**(6,624)**	(17,171)
Net increase/(decrease) in cash and cash equivalents held		**678**	(8,062)
Cash and cash equivalents at the beginning of the period		**10,168**	21,507
Effect of exchange rate changes on the balance of cash held in foreign currencies		**186**	(820)
Cash and cash equivalents at the end of the period		**11,032**	12,625

1. Includes prepaid ingredients of $1,593k (2010:nil).

Notes to the condensed consolidated Financial Statements are included on pages 13 to 21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

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, marketing and distribution 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 2011 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 2011 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at 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 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 as at and for the year ended 30 June 2011.

Basis of Preparation
The condensed consolidated Financial Statements have 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. 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 2011 annual Financial Report for the financial year ended 30 June 2011, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ending 30 June 2011.

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 124 as a consequence of AASB 2009-12 Amendments to Australian Accounting Standards
- Amendments to AASB 101, 134 and 1 and Interpretation 13 as a consequence of AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB 2010-5 Amendments to Australian Accounting Standard. This Standard makes numerous editorial amendments to a range of Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the International Accounting Standards Board. These amendments have no major impact on the requirements of the amended pronouncements.
- Amendments to AASB 7 as a consequence of AASB 2010-6 Amendments to Australian Accounting Standards

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 2011 (CONTINUED)

3. DIVIDENDS

	HALF-YEAR ENDED 31 DECEMBER 2011		HALF-YEAR ENDED 31 DECEMBER 2010	
	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:				
Franked to 100%	**80**	**13,424**	70	11,740
FULLY PAID ORDINARY SHARES				
Unrecognised Amounts				
Interim dividend:				
Franked to 100%	**44**	**7,383**	44	7,367

The interim dividend for the half-year ended 31 December 2011 has not been recognised because the interim dividend was declared subsequent to 31 December 2011. 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 23 February 2012 the Directors declared a fully franked interim dividend of 44 cents (2010: 44 cents) per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2011, to be paid to shareholders on 22 March 2012.

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 align our segment reporting with our internal focus, our larger Asian markets - Thailand and Malaysia, are 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

4. SEGMENT INFORMATION (CONTINUED)

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

SEGMENT REVENUES FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	EXTERNAL SALES		INTER-SEGMENT[1]		OTHER		TOTAL	
	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000	2011 $000	2010 $000
Australia	**98,489**	94,219	**10,013**	7,688	**-**	-	**108,502**	101,907
Thailand	**11,975**	10,050	**-**	-	**-**	-	**11,975**	10,050
Malaysia	**7,228**	6,690	**-**	-	**-**	-	**7,228**	6,690
Other Asia[2]	**6,759**	3,492	**-**	-	**-**	-	**6,759**	3,492
New Zealand	**1,414**	1,746	**-**	-	**396**	441	**1,810**	2,187
Other	**1,142**	540	**-**	-	**-**	7	**1,142**	547
Total of all segments	**127,007**	116,737	**10,013**	7,688	**396**	448	**137,416**	124,873
Eliminations							**(10,013)**	(7,688)
Consolidated revenue (excluding interest revenue and other income)							**127,403**	117,185

The Group had two customers who contributed more than 10% of the Group's revenue in the half-year period. Included in external sales of the Australian segment of $98,489,000 (2010: $94,219,000) are sales of approximately $25,673,655 (2010: $18,990,388) and $18,560,171 (2010: $17,793,957) which arose from sales to the Group's two largest customers.

[1] Intersegment sales are recorded at cost plus 10%. Pricing is set using a budgeted exchange rate and reviewed each quarter.
[2] Other Asia comprises the markets of Korea, Singapore, Hong Kong and Taiwan.

EXTERNAL SALES TO CUSTOMERS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	TOTAL	
	2011 $000	2010 $000
Australia	**98,489**	94,219
Thailand	**11,975**	10,050
Malaysia	**7,228**	6,690
Other Asia	**6,759**	3,492
New Zealand	**3,960**	4,410
Other	**1,142**	540
Total of all segments	**129,553**	119,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011 (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 ultimate buyer. In New Zealand, the buyer of Blackmores' goods sells these products to a customer base that is equivalent to the customer base represented by external sales made in Australia and Asia. Blackmores has an agency arrangement with the buyer in New Zealand and earns royalty revenue on sales made to this customer base.

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

SEGMENT RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	TOTAL	
	2011 $000	2010 $000
Australia	**11,340**	11,471
Thailand	**2,861**	1,930
Malaysia	**857**	668
Other Asia	**(309)**	240
New Zealand	**241**	239
Other	**(738)**	(306)
Profit for the period	**14,252**	14,242

SEGMENT ASSETS AS AT 31 DECEMBER 2011

	ASSETS	
	AS AT 31 DECEMBER 2011 $000	AS AT 30 JUNE 2011 $000
Australia	**138,731**	135,368
Thailand	**11,363**	9,812
Malaysia	**8,382**	7,001
Other Asia	**5,513**	5,843
New Zealand	**66**	293
Other	**2,273**	2,208
Total of all segments	**166,328**	160,525
Eliminations	**(8,189)**	(7,395)
Consolidated	**158,139**	153,130

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

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

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2011 $000	HALF-YEAR ENDED 31 DECEMBER 2010 $000
Profit for the period	**14,252**	14,242
Interest revenue disclosed as investing cash flow	**(81)**	(109)
Depreciation and amortisation of non-current assets	**2,378**	2,254
Unrealised foreign exchange gain	**-**	(361)
Share-based payments	**340**	508
Other	**6**	(641)
Decrease in current tax liability	**(880)**	(562)
(Increase)/decrease in deferred tax balances	**(187)**	57
Increase/(decrease) in deferred tax balances related to hedge reserve in equity	**131**	(57)
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
• Receivables	**1,364**	(3,036)
• Inventories	**(3,582)**	2,396
• Other debtors and prepayments	**(904)**	871
Increase/(decrease) in liabilities:		
• Payables	**(2,806)**	(3,889)
• Provisions	**167**	570
Net cash provided by operating activities	**10,198**	12,243

6. BUSINESS COMBINATIONS

SUBSIDIARIES ACQUIRED

Half-Year ended 31 December 2011

No acquisitions were made in the half-year period ended 31 December 2011.

Half-Year ended 31 December 2010

Acquisition of Pure Animal Wellbeing Pty Limited

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.

6. BUSINESS COMBINATIONS (CONTINUED)

The results of PAW have been consolidated by the Group from this date. Subsequently, during the reporting period the PAW business and operations were incorporated into the Blackmores business in the form of the PAW Animal Health Division.

PAW developed and marketed natural dietary supplements and topical products for dogs and cats which were sold in veterinary clinics and speciality stores in Australia, New Zealand and Korea. Blackmores' PAW Animal Health Division now performs these activities and now also sells into Canada.

PAW was acquired so as to provide Blackmores with a well positioned entry into the fast growing segment of natural health products for pets.

CONSIDERATION TRANSFERRED

	TOTAL	
	2011 $000	2010 $000
Cash and cash equivalents transferred	-	2,000

ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF THE ACQUISITION

	TOTAL	
	2011 $000	2010 $000
Current assets		
Cash and cash equivalents	-	32
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)
	-	1,343

6. BUSINESS COMBINATIONS (CONTINUED)

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

	TOTAL	
	2011 $000	2010 $000
Consideration paid in cash	-	2,000
Less: cash and cash equivalent balances acquired	-	(32)
	-	1,968

7. BORROWINGS

	CONSOLIDATED	
	AS AT 31 DECEMBER 2011 $000	AS AT 30 JUNE 2011 $000
Non-current		
Secured:		
Bank bills at amortised cost[1,2]	**47,000**	40,000

Summary of borrowing arrangements:

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

[2]In accordance with the security arrangements of liabilities, as disclosed in this note to the condensed consolidated Financial Statements, effectively all assets of the Parent Entity have been pledged as security.

8. ISSUANCES OF EQUITY SECURITIES

During the half-year reporting period, the Company issued 35,371 (2010: 66,908) ordinary shares for $nil (2010: $nil) under its executive and employee share plans for the year ended 30 June 2011. 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.

At the Company's 2011 Annual General Meeting held 27 October 2011 shareholders approved the Company Executive Performance Share Plan. A trust is being implemented to enable participation and management of the shares issued to staff under the share plan. Formal grants in relation to the year ending 30 June 2012 will be provided to participants upon completion of the set-up of this trust. The Board has approved that under the plan, entitlements will be granted to an allocation of ordinary shares provided specific performance objectives and hurdles are met in relation to the year ending 30 June 2012. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 17,254 (2011: 11,383) and the maximum number of rights that could be vested is 70,312 (2011: 64,352).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

8. ISSUANCES OF EQUITY SECURITIES (CONTINUED)

The following fair values applied to the number of rights for the prior year.

	GRANT DATE	FAIR VALUE AT GRANT DATE $
GRANTS IN THE 2011 YEAR	13 September 2010	22.32
	9 December 2010	25.55

9. CONTINGENT ASSETS/LIABILITIES AND COMMITMENTS

VARIATION CLAIMS BY BUILDING CONTRACTOR
The building contractor in respect of the construction of the Group's Warriewood head office has commenced court proceedings against Blackmores, claiming additional monies to the fixed price contract sum. The Group is defending the proceedings, has denied these claims and has brought cross claims against the building contractor for a return of a payment on account, in addition to compensation for delays and costs relating to certain defects. The Directors believe that Blackmores will not face a liability to the contractor. Accordingly, no liability has been recorded in relation to the building contractor's claims as at 31 December 2011.

There has been no material change since the 30 June 2011 Annual Financial Report.

10. SUBSEQUENT EVENTS

Other than the interim dividend disclosed in note 3, there have been no other matters or circumstances occurring subsequent to the end of the period that have significantly affected, 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.