



**BLACKMORES**<sup>®</sup>

Financial Report  
for the Half-Year Ended  
31 December 2012

# 2012 half year report

AUSTRALIA'S LEADING NATURAL HEALTH COMPANY  
BLACKMORES LIMITED (A.B.N. 35 009 713 437)



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# directors' report

The Directors of Blackmores Limited submit herewith the Financial Report of Blackmores Limited and its subsidiaries (the Group) for the half-year ended 31 December 2012. 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 (retired 25 October 2012)

Brent W. Wallace

## REVIEW OF OPERATIONS

The Directors report that sales for the six months to 31 December 2012 were \$164,254,000 (2011: \$127,007,000), an increase of 29.3%. The Group profit after tax for the half-year was \$13,565,000 (2011: \$14,252,000) a decrease of -4.8% 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 (2011: 44 cents fully franked), to be paid to shareholders registered at 5.00 pm on 14 March 2013 and to be paid on 4 April 2013.

## AUDITOR'S INDEPENDENCE DECLARATION

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

## ROUNDING OFF AMOUNTS

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

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

On Behalf of the Directors



**Marcus C. Blackmore AM**  
Chairman

Sydney, 28 February 2013

# Declaration of Independence



Deloitte Touche Tohmatsu  
ABN: 74 490 121 060

Eclipse Tower  
Level 19  
60 Station Street  
Parramatta NSW 2150  
PO Box 38  
Parramatta NSW 2124 Australia

DX 28485  
Tel: +61 (0) 2 9840 7000  
Fax: +61 (0) 2 9840 7001  
www.deloitte.com.au

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

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 2012, 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

**X Delaney**  
Partner  
Chartered Accountants  
Parramatta, 28 February 2013

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited



# Independent Auditor's Review Report



Deloitte Touche Tohmatsu  
ABN: 74 490 121 060

Eclipse Tower  
Level 19  
60 Station Street  
Parramatta NSW 2150  
PO Box 38  
Parramatta NSW 2124 Australia

DX 28485  
Tel: +61 (0) 2 9840 7000  
Fax: +61 (0) 2 9840 7001  
[www.deloitte.com.au](http://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 statement of financial position as at 31 December 2012, and the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed 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 19.

### *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 2012 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

## Independent Auditor's Review Report (Cont.)



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 2012 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

A handwritten signature in black ink that reads "Delaney".

X Delaney  
Partner  
Chartered Accountants  
Parramatta, 28 February 2013

## Director's Declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

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

On behalf of the Directors

A handwritten signature in black ink, reading "Marcus C Blackmore AM". The signature is written in a cursive style and is underlined with a single horizontal stroke.

**Marcus C Blackmore AM**  
**Chairman**

Sydney, 28 February 2013

# Condensed Consolidated Income Statement

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	NOTES	CONSOLIDATED	
		HALF-YEAR ENDED 31 DECEMBER 2012 \$000	HALF-YEAR ENDED 31 DECEMBER 2011 \$000
Sales	4	164,254	127,007
Royalties	4	-	396
Membership		-	12
<b>Revenue</b>		<b>164,254</b>	127,415
Other income		1,136	439
<b>Revenue and other income</b>		<b>165,390</b>	127,854
Promotional and other rebates		24,408	12,870
Changes in inventories of finished goods		8,209	962
Raw materials and consumables used		44,257	37,913
Employee benefits expense		32,219	28,452
Selling and marketing expenses		17,461	12,085
Depreciation and amortisation expense		2,945	2,378
Operating lease rental expenses		1,167	861
Professional and consulting expenses		2,017	1,962
Repairs and maintenance expenses		1,311	1,326
Freight expenses		2,426	1,967
Bank charges		427	317
Other expenses		7,229	4,524
<b>Total expenses</b>		<b>144,076</b>	105,617
<b>Earnings before interest and tax</b>		<b>21,314</b>	22,237
Interest revenue		89	81
Interest expense		(2,464)	(1,582)
<b>Net interest expense</b>		<b>(2,375)</b>	(1,501)
<b>Profit before tax</b>		<b>18,939</b>	20,736
Income tax expense		(5,374)	(6,484)
<b>Profit for the period</b>	4	<b>13,565</b>	14,252
<b>EARNINGS PER SHARE</b>			
Basic (cents per share)		<b>80.6</b>	85.0
Diluted (cents per share)		<b>80.6</b>	85.0

Notes to the condensed consolidated Financial Statements are included on pages 13 to 19.



# Condensed Consolidated Statement of Comprehensive Income

AS AT 31 DECEMBER 2012

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2012 \$000	HALF-YEAR ENDED 31 DECEMBER 2011 \$000
Profit for the period	<b>13,565</b>	14,252
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss</b>		
Loss recognised on cash flow hedges	<b>(132)</b>	(435)
Exchange differences arising on translation of foreign controlled entities	<b>277</b>	137
Income tax relating to components of other comprehensive income	<b>40</b>	131
Other comprehensive income for the period, (net of tax)	<b>185</b>	(167)
<b>Total comprehensive income for the period</b>	<b>13,750</b>	14,085

Notes to the condensed consolidated Financial Statements are included on pages 13 to 19.

# Condensed Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2012

	NOTES	CONSOLIDATED	
		AS AT 31 DECEMBER 2012 \$000	AS AT 30 JUNE 2012 \$000
<b>CURRENT ASSETS</b>			
Cash and bank balances		12,239	11,960
Receivables		56,241	53,698
Inventories		40,857	31,786
Other		2,431	2,549
<b>Total current assets</b>		<b>111,768</b>	<b>99,993</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		66,772	65,916
Investment property		2,160	2,160
Other intangible assets		15,663	2,257
Goodwill	7	19,701	657
Deferred tax assets		4,014	3,623
Other financial assets		286	144
Other		167	21
<b>Total non-current assets</b>		<b>108,763</b>	<b>74,778</b>
<b>Total assets</b>		<b>220,531</b>	<b>174,771</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		28,640	34,937
Current tax payables		-	2,117
Provisions		4,374	4,456
Other		62	37
<b>Total current liabilities</b>		<b>33,076</b>	<b>41,547</b>
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing liabilities	8	94,156	45,000
Provisions		1,131	908
Other financial liabilities		2,005	1,036
<b>Total non-current liabilities</b>		<b>97,292</b>	<b>46,944</b>
<b>Total liabilities</b>		<b>130,368</b>	<b>88,491</b>
<b>Net assets</b>		<b>90,163</b>	<b>86,280</b>
<b>EQUITY</b>			
Issued capital		29,237	25,348
Reserves		2,121	1,764
Retained earnings		58,805	59,168
<b>Total equity</b>		<b>90,163</b>	<b>86,280</b>

Notes to the condensed consolidated Financial Statements are included on pages 13 to 19.

# Condensed Consolidated Statement of Changes in Equity

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued Capital \$'000	Equity- Settled Employee Benefits Reserve \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance as at 1 July 2011</b>	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)
<b>Total comprehensive income for the period</b>	-	-	(304)	137	14,252	14,085
Issue of shares under Dividend Reinvestment Plan	-	-	-	-	-	-
Recognition of share-based payments	-	340	-	-	-	340
<b>Balance as at 31 December 2011</b>	25,348	5,145	(461)	(2,917)	52,998	80,113
<b>Balance as at 1 July 2012</b>	<b>25,348</b>	<b>5,430</b>	<b>(725)</b>	<b>(2,941)</b>	<b>59,168</b>	<b>86,280</b>
Dividend declared	-	-	-	-	(13,928)	(13,928)
Profit for the period	-	-	-	-	13,565	13,565
Other comprehensive income for the period, net of income tax	-	-	(92)	277	-	185
<b>Total comprehensive income for the period</b>	-	-	(92)	277	13,565	13,750
Issue of shares under Dividend Reinvestment Plan	3,889	-	-	-	-	3,889
Recognition of share-based payments	-	172	-	-	-	172
<b>Balance as at 31 December 2012</b>	<b>29,237</b>	<b>5,602</b>	<b>(817)</b>	<b>(2,664)</b>	<b>58,805</b>	<b>90,163</b>

Notes to the condensed consolidated Financial Statements are included on pages 13 to 19.

# Condensed Consolidated Statement of Cash Flows

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	NOTES	CONSOLIDATED	
		HALF-YEAR ENDED 31 DECEMBER 2012 \$000	HALF-YEAR ENDED 31 DECEMBER 2011 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		<b>178,932</b>	139,869
Payments to suppliers and employees		<b>(164,961)</b>	(120,972)
Cash generated from operations		<b>13,971</b>	18,897
Interest and other costs of finance paid		<b>(2,463)</b>	(1,279)
Income tax paid		<b>(9,069)</b>	(7,420)
<b>Net cash provided by operating activities</b>	5	<b>2,439</b>	10,198
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		<b>89</b>	81
Payment for acquisition of subsidiary, net of cash acquired	7	<b>(38,646)</b>	-
Payment for acquisition of investments		-	(144)
Payment for property, plant and equipment		<b>(2,694)</b>	(2,833)
Proceeds from sale of property, plant and equipment		<b>40</b>	-
Dividends received		<b>6</b>	-
<b>Net cash used in investing activities</b>		<b>(41,205)</b>	(2,896)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from borrowings		<b>49,121</b>	7,000
Dividends paid <sup>1</sup>		<b>(10,039)</b>	(13,424)
Other		-	(200)
<b>Net cash provided by/(used in) financing activities</b>		<b>39,082</b>	(6,624)
<b>Net increase in cash and cash equivalents held</b>		<b>316</b>	678
<b>Cash and cash equivalents at the beginning of the period</b>		<b>11,960</b>	10,168
Effect of exchange rate changes on the balance of cash held in foreign currencies		<b>(37)</b>	186
<b>Cash and cash equivalents at the end of the period</b>		<b>12,239</b>	11,032

<sup>1</sup> Dividends declared totalled \$13,928,000 (2012: \$13,424,000) of which \$3,889,000 (2011: \$nil) related to shares issued under the Dividend Reinvestment Plan. The balance of \$10,039,000 (2011: \$13,424,000) was paid as cash to members.

Notes to the condensed consolidated Financial Statements are included on pages 13 to 19.



# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 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 +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 (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 2012 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 2012 is available upon request from the registered office of Blackmores at 20 Jubilee Avenue, Warriewood, NSW 2102 or online at [blackmores.com.au](http://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 2012.

### 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. 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 company's 2012 annual Financial Report for the financial year ended 30 June 2012, 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 Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Financial Report, the significant judgements made by management in applying the Blackmores Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the Financial Report as at and for the year ended 30 June 2012.

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.

### ASSUMPTIONS FOR BIOCEUTICALS, PAW AND OTHER INTANGIBLES IMPAIRMENT REVIEW

The recoverable amount of the goodwill and other intangibles relating to the acquisitions of BioCeuticals and PAW are based on value in use calculations. These calculations use cash-flow projections based on five year plans approved by management, which include a terminal valuation representing cash-flow projections beyond five years. The discount rate used in the calculations is 6.5% which reflects a market estimate of the Blackmores Group's weighted average cost of capital.

# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

### 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 1,5,7,101,120,121,132,133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'

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. However the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

## 3 DIVIDENDS

	HALF-YEAR ENDED 31 DECEMBER 2012		HALF-YEAR ENDED 31 DECEMBER 2011	
	CENTS PER SHARE	TOTAL \$000	CENTS TOTAL PER SHARE	TOTAL \$000
FULLY PAID ORDINARY SHARES				
Recognised Amounts				
Final dividend paid in respect of prior financial year:				
Franked to 100%	83	13,928	80	13,424
FULLY PAID ORDINARY SHARES				
Unrecognised Amounts				
Interim dividend:				
Franked to 100%	44	7,440	44	7,383

The interim dividend for the half-year ended 31 December 2012 has not been recognised because the interim dividend was declared subsequent to 31 December 2012. 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 dividend in respect of the prior financial year.

On 28 February 2013 the Directors declared a fully franked interim dividend of 44 cents (2011: 44 cents) per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2012, to be paid to shareholders on 4 April 2013.

## 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 primarily 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
- BioCeuticals
- Thailand
- Malaysia
- Other Asia
- Other

# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 4 SEGMENT INFORMATION (CONT.)

### SEGMENT REVENUES FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	EXTERNAL SALES		INTER-SEGMENT <sup>1</sup>		OTHER		TOTAL	
	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000	2012 \$000	2011 \$000
Australia	108,003	98,489	11,736	10,013	-	-	119,739	108,502
BioCeuticals	21,489	-	-	-	-	-	21,489	-
Thailand	14,281	11,975	-	-	-	-	14,281	11,975
Malaysia	9,005	7,228	-	-	-	-	9,005	7,228
Other Asia <sup>2</sup>	5,239	6,759	-	-	-	-	5,239	6,759
Other	6,237	2,556	-	-	-	396	6,237	2,952
Total of all segments	164,254	127,007	11,736	10,013	-	396	175,990	137,416
Eliminations <sup>3</sup>							(11,736)	(10,013)
<b>Consolidated revenue (excluding interest revenue and other income)</b>							<b>164,254</b>	<b>127,403</b>

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 \$107,905,000 (2011: \$98,376,000) are sales of approximately \$30,964,000 (2011: \$25,673,655) and \$21,111,000 (2011: \$18,560,171) which arose from sales to the Group's two largest customers.

<sup>1</sup> Inter-segment sales are recorded at cost plus a margin determined on an individual basis for each market. Pricing is initially set using a budgeted exchange rate and reviewed each quarter.

<sup>2</sup> Other Asia comprises the markets of Singapore, Korea, Hong Kong, Taiwan and China.

<sup>3</sup> This is the total of adjustments to revenue as a result of the intercompany consolidation eliminations.

### EXTERNAL SALES TO CUSTOMERS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	TOTAL	
	2012 \$000	2011 \$000
Australia	108,003	98,489
BioCeuticals	21,489	-
Thailand	14,281	11,975
Malaysia	9,005	7,228
Other Asia	5,239	6,759
Other	6,237	5,102
<b>Total of all segments</b>	<b>164,254</b>	<b>129,553</b>

External Sales represents the sale of goods when the significant risks and rewards of ownership of the goods have transferred to the ultimate buyer. In New Zealand for the half-year ending 31 December 2011, the buyer of Blackmores' goods sold these products to a customer base that was equivalent to the customer base represented by external sales made in Australia and Asia. Blackmores had an agency arrangement with the buyer in New Zealand and earned 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.

# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 4 SEGMENT INFORMATION (CONT.)

### SEGMENT RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	TOTAL	
	2012 \$000	2011 \$000
Australia <sup>1</sup>	8,703	11,340
BioCeuticals	1,010	-
Thailand	3,260	2,861
Malaysia	1,125	857
Other Asia	(477)	(309)
Other	(56)	(497)
<b>Profit for the period</b>	<b>13,565</b>	<b>14,252</b>

1. The Australian result includes Corporate costs. A full review of Corporate costs will be undertaken for year-end reporting and Corporate costs will be allocated to segments as appropriate.

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

	CONSOLIDATED	
	HALF-YEAR ENDED 31 DECEMBER 2012 \$000	HALF-YEAR ENDED 31 DECEMBER 2011 \$000
Profit for the period	13,565	14,252
Interest revenue disclosed as investing cash flow	(89)	(81)
Depreciation and amortisation of non-current assets	2,945	2,378
Share-based payments	172	340
Other	56	6
Decrease in current tax liability	(3,693)	(880)
Increase in deferred tax balances	(42)	(187)
Increase in deferred tax balances related to hedge reserve in equity	40	131
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
• Receivables	4,350	1,364
• Inventories	(4,104)	(3,582)
• Other debtors and prepayments	469	(904)
Increase/(decrease) in liabilities:		
• Payables	(10,540)	(2,806)
• Provisions	(690)	167
<b>Net cash provided by operating activities</b>	<b>2,439</b>	<b>10,198</b>



# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 6 GOODWILL

	TOTAL	
	2012 \$000	2011 \$000
<b>Gross carrying amount</b>		
Balance at beginning of the period	657	657
Additional amounts recognised from business combinations occurring during the period (note 7)	19,044	-
Balance at end of the period	19,701	657
<b>Accumulated impairment losses</b>		
Balance at beginning of the period	-	-
Impairment losses for the period	-	-
Balance at end of the period	-	-
<b>Net book value</b>		
At the beginning of the period	657	657
At the end of the period	19,701	657

## 7 BUSINESS COMBINATIONS

### SUBSIDIARIES ACQUIRED

#### Half-Year ended 31 December 2012

##### Acquisition of FIT-BioCeuticals Limited

On 5 July 2012, the Group signed an agreement to acquire 100% of the issued capital of FIT-BioCeuticals Ltd and the results of the BioCeuticals Group ("BioCeuticals") have been consolidated by the Blackmores Group from this date. The acquisition was made for an initial cash payment of \$38.4 million and a completion cash payment of \$2.2 million (representing adjustments relating to the completion statement (\$0.8 million) and working capital (\$1.4 million)) was made in September upon finalisation of the company's F12 result.

BioCeuticals is an established Australian leader in the practitioner-only supplements market. It develops and markets a range of nutritional supplements to integrative medicine practitioners, natural health professionals, pharmacists and health food stores, primarily in Australia and New Zealand.

### CONSIDERATION TRANSFERRED

	TOTAL	
	2012 \$000	2011 \$000
Cash	40,577	-
Deferred consideration <sup>1</sup>	675	-
	41,252	-

1. A further amount, not exceeding \$2 million may become payable over a three year period upon successful product registration and certain revenue targets for new products being met. An amount of \$675,000 has been recognised as the fair value of this obligation.

Acquisition-related costs of \$634,000 have been excluded from the consideration transferred; of this \$276,000 were incurred and expensed prior to 1 July 2012. The remainder of \$358,000 has been recognised as an expense in profit or loss in the half-year, within the 'other expenses' line.

# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 7 BUSINESS COMBINATIONS (CONT.)

### ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF THE ACQUISITION

	TOTAL	
	2012 \$000	2011 \$000
<b>Current assets</b>		
Cash and cash equivalents	1,931	-
Trade and other receivables <sup>1</sup>	5,838	-
Inventory	4,968	-
Other	306	-
<b>Non-current assets</b>		
Property, plant and equipment	884	-
Other	349	-
Trade and other receivables	127	-
Intangible assets	13,578	-
<b>Current liabilities</b>		
Trade and other creditors	(4,854)	-
Current tax liability	(484)	-
Interest-bearing liabilities	(31)	-
<b>Non-current liabilities</b>		
Trade and other creditors	(178)	-
Provisions	(220)	-
Interest-bearing liabilities	(6)	-
	<b>22,208</b>	<b>-</b>

<sup>1</sup> Trade receivables acquired with a fair value of \$5,965,000 had gross contractual amounts of \$6,074,000. The best estimate at acquisition date of the contractual cash-flows not expected to be collected is \$109,000.

The initial accounting for the acquisition of FIT-BioCeuticals Limited has only been provisionally determined at the end of the half-year period. As such at the date of the finalisation of this half-year report the fair value of the assets and liabilities acquired, associated deferred tax liabilities and goodwill noted above are based on the director's best estimate of the likely fair value.

### ASSETS ACQUIRED AND LIABILITIES ASSUMED AT THE DATE OF THE ACQUISITION

	TOTAL	
	2012 \$000	2011 \$000
Consideration transferred	41,252	-
Less: fair value of identified net assets acquired	(22,208)	-
Goodwill arising on acquisition	19,044	-

Goodwill arose on the acquisition of BioCeuticals because the consideration paid for the combination effectively included amounts in relation to expected future revenue and profit growth, future market development and the combined workforce of BioCeuticals.

These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

### NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

	TOTAL	
	2012 \$000	2011 \$000
Consideration paid in cash	40,577	-
Less: cash and cash equivalent balances acquired	(1,931)	-
	<b>38,646</b>	<b>-</b>

# Notes to the Condensed Consolidated Financial Statements

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

## 7 BUSINESS COMBINATIONS (CONT.)

### IMPACT OF ACQUISITION ON THE RESULTS OF THE GROUP

Included in the profit for the period is \$1,010,000 attributable to BioCeuticals. Revenue for the half-year includes \$21,489,000 in respect of BioCeuticals.

#### Half-Year ended 31 December 2011

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

## 8 INTEREST-BEARING LIABILITIES

### INTEREST-BEARING LIABILITIES

	CONSOLIDATED	
	AS AT 31 DECEMBER 2012 \$000	AS AT 31 DECEMBER 2011 \$000
NON-CURRENT		
Secured:		
Bank bills at amortised cost <sup>1,2</sup>	94,150	45,000
Lease liabilities	6	-
	<b>94,156</b>	45,000

#### Summary of borrowing arrangements:

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

<sup>2</sup> 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 and certain subsidiary companies have been pledged as security.

## 9 ISSUANCES OF EQUITY SECURITIES

During the half-year ended 31 December 2012, the Company reactivated the Dividend Reinvestment Plan (DRP) and as a result issued 127,192 shares during the half-year ended 31 December 2012 under its DRP. In the half-year ended 31 December 2011, the DRP was inactive and nil shares were issued under the DRP.

During the half-year reporting period, the Company issued 2,214 (2011: 35,371) ordinary shares for \$nil (2011: \$nil) under its executive and employee share plans for the year ending 30 June 2012. There were no other movements in the ordinary share capital or other issued share capital of the Company in the current or prior half-year reporting period.

Under the Company Executive Performance Share Plan, during the half-year the Company granted entitlements to an allocation of ordinary shares provided specific performance objectives and hurdles are met in relation to the year ended 30 June 2013. If the performance and employment vesting conditions are met, the minimum number of rights that could be vested under the entitlement is 17,060 (2012: 17,254) and the maximum number of rights that could be vested is 68,244 (2012: 70,312). Several grant dates applied to these rights; as a result the following fair values applied to the number of rights listed below.

As the specific performance objectives and hurdles were not met in relation the financial year ended 30 June 2012 no rights were vested during the half-year.

## 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.

# BLACKMORES®

**Blackmores Limited**

Australia's Leading Natural Health Company

ACN 009 713 437

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

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