

# Appendix 4D

## HALF-YEAR REPORT

Blackmores Limited - ACN 009 713 437  
For the period ended 31 December 2016

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

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Current Reporting Period: Half-Year ended 31 December 2016

Previous Corresponding Period: Half-Year ended 31 December 2015

<b>Revenue and Net Profit</b>	<b>Amount \$'000</b>	<b>Up / Down</b>	<b>Movement</b>
Revenue from ordinary activities	322,129	down	5.7%
Profit after tax attributable to members	28,491	down	41.0%
Net profit attributable to members	28,491	down	41.0%

<b>Dividend Information</b>	<b>Amount per Security</b>	<b>Franked Amount per Security</b>	<b>Tax Rate for Franking</b>
Interim dividend (to be paid 22 March 2017)	130¢	130¢	30%

The Company's Dividend Reinvestment Plan (DRP) remains suspended.

#### **Interim Dividend Dates**

Ex-dividend date	7 March 2017
Record date	8 March 2017
Payment date	22 March 2017

	31 December 2016	31 December 2015
Net tangible assets per security	\$6.41	\$7.00

Additional Appendix 4D disclosure requirements can be found in the Blackmores Limited Half-Year Report for the period ended 31 December 2016.

The Appendix 4D is based on the Blackmores Limited Half-Year Report for the period ended 31 December 2016 which has been reviewed by Deloitte Touche Tohmatsu. This should be read in conjunction with the most recent Annual Financial Report as at and for the year ended 30 June 2016.



BLACKMORES®



# FINANCIAL REPORT

FOR THE HALF-YEAR ENDED  
31 DECEMBER 2016



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Cover images: (clockwise from top left) Suki Petgo, Assistant Production Operator (left) and Elena Irlandez, Production Operator; Darren Dziedziczak, Blackmores Head of Quality and Regulatory; Belinda Reynolds, Senior Educator, BioCeuticals; Felicia Tam, Pure Animal Wellbeing Veterinarian; Caroline Hayes, Blackmores Procurement & Sourcing.

# DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

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

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

## REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Management has progressed the delivery of our four strategic priorities:

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

The Directors report that sales for the six months to 31 December 2016 were \$322 million (2015: \$341 million), a decrease of 6%. The Group profit after tax for the half-year was \$28 million (2015: \$48 million), a decrease of 42% on last year. These results have been reviewed by our auditor.

Sales in Australia for the six months were \$158 million, down 31% compared to the previous corresponding period. Brand health in Australia is strong with Blackmores the clear number one brand in the category. Domestic Australian sales returned to modest year on year growth in the second quarter. Chinese-influenced sales through Australian retailers remain down as buying patterns evolve. Blackmores continues to build a successful China business to better serve these customers.

Sales and profit improved in the second quarter compared to the first quarter. The first quarter was impacted by changes to the buying patterns of Chinese exporters and by high stock levels held by Australian retailers. We are encouraged by progress in the second quarter across the Group, though the Australian retail environment remains challenging.

China direct sales were strong and delivered almost \$64 million in the half, up 92% compared to the previous corresponding period. The Chinese market is both complex and challenging, though it remains a very important part of our business and we are pleased with our growth.

Other Asia sales (excluding Korea) delivered almost \$40 million in the first half, up 16%. All our core markets are in growth and the smaller markets particularly have delivered strong performances - Taiwan up 93%; Hong Kong up 49%; Singapore up 19%; Malaysia up 20%; and Thailand up 6%, in local currencies. In September Blackmores launched in Indonesia with a limited range, contributing just under \$2 million in sales. Korea's results reflect Blackmores' transition to a new selling model.

Total Asia sales were adversely impacted by foreign exchange movements totalling more than \$4 million compared to the prior corresponding period.

BioCeuticals and Global Therapeutics also delivered strong performances. Together they delivered \$51 million in sales in the half, up 54% compared to the prior corresponding period, benefitting from the acquisition of Global Therapeutics in May 2016. Excluding the benefit of the acquisition sales for the division are up 19% and every brand in this portfolio is in growth.

We are pleased with the progress of Global Therapeutics and welcomed the employees who unanimously elected to join the Blackmores Group Enterprise Agreement in November.

The infant nutrition range developed in partnership with Bega Cheese is growing steadily, though its progress has been impacted by regulatory changes and volatile market conditions. As a result we continue to review this business to ensure we have the right structure in place for the future. The first half financial results include a \$2 million inventory provision.

Increased cost of goods, predominantly as a result of lower volumes and higher ingredient costs, impacted gross profit.

Management continues to focus on reducing and redirecting costs in the business. Other operating costs were flat in the first half. Importantly, the Group has increased brand and infrastructure investment to underpin future growth. This includes investment in the lease and fit-out of additional warehousing in Western Sydney, in Blackmores' new Indonesian business and the inclusion of Global Therapeutics operating expenses.

Blackmores Institute hosted symposia in August on the integration of complementary medicine into pharmacy practice, in Australia and in Thailand. The Australian event coincided with the launch of the Blackmores Institute online Drug-Complementary Medicine Interactions resource. The Institute healthcare professional online learning program is now available in Mandarin, Korean and Thai languages. The Blackmores Institute Director, Dr Lesley Braun, led a series of presentations in the Asia region including to the China Chamber of Commerce in Beijing, the Ministry of Health in Bangkok and Rangsit University in Thailand.

# DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

In the reporting period, Blackmores was proudly the recipient of several high profile awards including the NSW Exporter of the Year (Health and BioTech), NSW Business Chambers Excellence in Export Award, The Australian Packaging Covenant's Signatory of the Year as well as Supplier of the Year awards from both Chemmart and Sigma pharmacies.

At the prestigious CEO Awards Linda Redfearn, Group Head of HR, was awarded HR Leader of the Year; and Nathan Cheong, Managing Director BioCeuticals, was awarded Managing Director of the Year. Christine Holgate was again recognised as one of Australia's most influential CEOs awarded runner up CEO of the Year for 2016 with Aaron Canning recognised as runner up CFO of the Year.

## FINANCIAL POSITION OF THE GROUP

The Blackmores balance sheet remains in a strong position. Gearing Ratio as a measure of our Net Debt to Equity has increased to 32% from 9% at the end of June 2016. Net Debt has increased by \$65 million in the period due to higher Working Capital and record income taxation and dividend payments. Gross interest cover remains over 36 times.

Working Capital was \$117 million, up \$27 million in the period as lower Inventory and Receivables balances were offset by lower outstanding Payables to suppliers. Working Capital continued to be tightly managed in the period.

Cash generated from operations was \$17 million, down from \$81 million in the same comparable period with a cash conversion ratio of 37%. This was driven by higher Working Capital as a result of softer first quarter trading, partially offset by an improved second quarter result.

## SUBSEQUENT EVENTS

The Group has executed a new four year \$30 million debt facility with Bank of China Sydney expiring 1 March 2021.

## DIVIDEND

The Board has declared an interim dividend of 130 cents per share fully franked, which is a decrease of 35% compared to the prior corresponding period. The record date is 8 March 2017 and the dividend is payable on 22 March 2017.

## BOARD UPDATE

Starting next month I am taking a sabbatical for up to six months during which time the Deputy Chairman, Stephen Chapman, will assume the role of Chairman. I will remain a Director of the Company and will maintain close contact with the Board and Executive team as required.

## AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 3 of the half-year Financial Report.

## ROUNDING OFF AMOUNTS

The company is a company of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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

On Behalf of the Directors



**Marcus C. Blackmore AM**  
Chairman

Dated in Sydney, 22 February 2017

# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

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

Eclipse Tower  
Level 19, 60 Station Street  
Parramatta NSW 2150  
Australia

DX 10307SSE  
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

22 February 2017

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 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

*Deloitte Touche Tohmatsu*  
DELOITTE TOUCHE TOHMATSU

*Delaney*  
X Delaney  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited



Deloitte Touche Tohmatsu  
ABN 74 490 121 060

Eclipse Tower,  
Level 19, 60 Station Street  
Parramatta NSW 2150  
Australia

DX 10307SSE  
Tel: +61 (0) 2 9840 7000  
Fax: +61 (0) 2 9840 7001  
www.deloitte.com.au

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

We have reviewed the accompanying half-year financial report of Blackmores Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 6 to 15.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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.

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REVIEW REPORT

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

## *Auditor's Independence Declaration*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Blackmores Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 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  
Parramatta, 22 February 2017

# DIRECTORS' DECLARATION

The Directors declare that:

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

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

On behalf of the Directors



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

Sydney, 22 February 2017

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

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTES	31 December 2016 \$'000	31 December 2015 \$'000
Sales	4	322,129	341,433
Other income		606	567
Promotional and other rebates		(60,907)	(58,038)
<b>Net revenue and other income</b>		<b>261,828</b>	<b>283,962</b>
Raw materials and consumables used		107,040	102,123
Employee benefits expenses		60,389	63,229
Selling and marketing expenses		25,852	23,581
Depreciation and amortisation expenses		4,009	3,471
Operating lease rental expenses		3,777	2,069
Professional and consulting expenses		4,573	3,583
Repairs and maintenance expenses		2,136	1,804
Freight expenses		4,311	5,158
Bank charges		727	1,077
Other expenses		7,146	8,784
<b>Total expenses</b>		<b>219,960</b>	<b>214,879</b>
<b>Earnings before interest and tax</b>	4	<b>41,868</b>	<b>69,083</b>
Interest revenue		178	182
Interest expense		(2,293)	(979)
<b>Net interest expense</b>		<b>(2,115)</b>	<b>(797)</b>
<b>Profit before tax</b>		<b>39,753</b>	<b>68,286</b>
Income tax expense		(11,592)	(19,982)
<b>Profit for the period</b>		<b>28,161</b>	<b>48,304</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences arising on translation of foreign controlled entities		(911)	(1,082)
Net gain on hedging instruments entered into for cash flow hedges		646	746
Income tax relating to components of other comprehensive income		(194)	(224)
Other comprehensive expense for the period, net of tax		(459)	(560)
<b>Total comprehensive income for the period</b>		<b>27,702</b>	<b>47,744</b>
<b>Profit attributable to:</b>			
Owners of the parent		28,491	48,300
Non-controlling interests		(330)	4
		<b>28,161</b>	<b>48,304</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		28,010	47,791
Non-controlling interests		(308)	(47)
		<b>27,702</b>	<b>47,744</b>
<b>EARNINGS PER SHARE</b>			
- Basic earnings per share (cents)		165.4	280.4
- Diluted earnings per share (cents)		163.8	278.2

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

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	31 December 2016 \$'000	30 June 2016 \$'000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	41,256	37,653
Receivables	106,891	134,636
Inventories	104,561	116,486
Other assets	9,087	5,849
Current tax asset	1,368	-
<b>Total current assets</b>	<b>263,163</b>	<b>294,624</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	71,363	67,626
Investment property	2,160	2,160
Other intangible assets	32,569	32,736
Goodwill	20,084	20,032
Deferred tax assets	11,814	12,257
Other financial assets	736	628
Amounts advanced to related parties	3,991	3,960
<b>Total non-current assets</b>	<b>142,717</b>	<b>139,399</b>
<b>Total assets</b>	<b>405,880</b>	<b>434,023</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Trade and other payables	94,027	160,478
Current tax liabilities	-	24,204
Provisions	7,638	7,588
Other liabilities	233	9
<b>Total current liabilities</b>	<b>101,898</b>	<b>192,279</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing liabilities	123,986	55,446
Provisions	1,293	1,134
Other liabilities	3,885	3,655
Deferred tax liabilities	1,175	916
<b>Total non-current liabilities</b>	<b>130,339</b>	<b>61,151</b>
<b>Total liabilities</b>	<b>232,237</b>	<b>253,430</b>
<b>Net assets</b>	<b>173,643</b>	<b>180,593</b>
<b>EQUITY</b>		
<b>CAPITAL AND RESERVES</b>		
Issued capital	37,753	37,753
Reserves	6,293	5,252
Retained earnings	127,575	135,258
<b>Equity attributable to shareholders of Blackmores Ltd</b>	<b>171,621</b>	<b>178,263</b>
Equity attributable to non-controlling interests	2,022	2,330
<b>Total equity</b>	<b>173,643</b>	<b>180,593</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital	Equity Settled Employee Benefits Reserve	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Equity Attributable to owners of Blackmores Ltd	Non- controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	37,753	6,933	(913)	2,043	87,099	132,915	-	132,915
Dividends paid	-	-	-	-	(23,254)	(23,254)	-	(23,254)
Profit for the period	-	-	-	-	48,300	48,300	4	48,304
Other comprehensive income for the period, net of tax	-	-	522	(1,031)	-	(509)	(51)	(560)
<b>Total comprehensive income for the period</b>	-	-	522	(1,031)	48,300	47,791	(47)	47,744
Recognition of share-based payments	-	1,740	-	-	-	1,740	-	1,740
Equity issued to holders of non-controlling interests	-	-	-	-	-	-	2,301	2,301
<b>Balance as at 31 December 2015</b>	<b>37,753</b>	<b>8,673</b>	<b>(391)</b>	<b>1,012</b>	<b>112,145</b>	<b>159,192</b>	<b>2,254</b>	<b>161,446</b>
Balance as at 1 July 2016	37,753	4,440	(376)	1,188	135,258	178,263	2,330	180,593
Dividends paid	-	-	-	-	(36,174)	(36,174)	-	(36,174)
Profit/(loss) for the period	-	-	-	-	28,491	28,491	(330)	28,161
Other comprehensive income/(expense) for the period, net of tax	-	-	452	(933)	-	(481)	22	(459)
<b>Total comprehensive income for the period</b>	-	-	452	(933)	28,491	28,010	(308)	27,702
Recognition of share-based payments	-	1,522	-	-	-	1,522	-	1,522
<b>Balance as at 31 December 2016</b>	<b>37,753</b>	<b>5,962</b>	<b>76</b>	<b>255</b>	<b>127,575</b>	<b>171,621</b>	<b>2,022</b>	<b>173,643</b>

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

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	NOTES	31 December 2016 \$'000	31 December 2015 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		378,676	366,938
Payments to suppliers and employees		(361,705)	(285,497)
Cash generated from operations		16,971	81,441
Interest and other costs of finance paid		(3,026)	(979)
Income taxes paid		(36,078)	(20,508)
<b>Net cash flows (used in)/from operating activities</b>	5	<b>(22,133)</b>	<b>59,954</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		178	182
Payments for property, plant and equipment and other intangible assets		(7,729)	(8,046)
Proceeds from disposal of property, plant and equipment		21	22
Dividends received		53	25
Amounts advanced to related parties		(31)	-
<b>Net cash used in investing activities</b>		<b>(7,508)</b>	<b>(7,817)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from /(repayment of) bank borrowings		68,697	(24,000)
Proceeds from other borrowings		1,100	-
Dividends paid	3	(36,174)	(23,254)
Proceeds from issue of equity to non-controlling interests		-	2,301
<b>Net cash (used in)/provided by financing activities</b>		<b>33,623</b>	<b>(44,953)</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,982</b>	<b>7,184</b>
<b>Cash and cash equivalents at the beginning of the half-year</b>		<b>37,653</b>	<b>36,931</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies		(379)	(1,254)
<b>Cash and cash equivalents at the end of the half-year</b>		<b>41,256</b>	<b>42,861</b>

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 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 is a company domiciled in Australia. The Consolidated Interim Financial Report (Financial Report) of Blackmores as at and for the half-year ended 31 December 2016 comprises Blackmores and its subsidiaries (the Group).

The Consolidated Annual Financial Report of the Group for the financial year ended 30 June 2016 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

The half-year Financial Report is a General Purpose Financial Report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 'Interim Financial Reporting' ensures compliance with the International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at and for the financial year ended 30 June 2016.

### Basis of Preparation

The half-year Financial Report has been prepared on the basis of historical cost, except certain non-current assets and financial instruments that are measured at revalued amounts or fair values. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars unless otherwise noted.

The company is a company of the kind referred to in *ASIC Corporations Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year Financial Report are consistent with those adopted and disclosed in the Group's 2016 Annual Financial Report for the financial year ended 30 June 2016, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Estimates

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

In preparing this half-year Financial Report, the significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty in estimation were the same as those that applied to the Annual Financial Report for the financial year ended 30 June 2016.

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

### Adoption of new and revised Accounting Standards

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

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

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

The adoption of 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 2016

## 3 DIVIDENDS

	Half-year ended 31 December 2016		Half-year ended 31 December 2015	
	CENTS PER SHARE	TOTAL \$'000	CENTS PER SHARE	TOTAL \$'000
<b>RECOGNISED AMOUNTS</b>				
FULLY PAID ORDINARY SHARES				
Final dividend paid in respect of prior financial year - fully franked at 30% corporate tax rate	210	36,174	135	23,254
<b>UNRECOGNISED AMOUNTS</b>				
FULLY PAID ORDINARY SHARES				
Interim dividend payable in respect of current financial year - fully franked at 30% corporate tax rate	130	22,394	200	34,450

## 4 SEGMENT INFORMATION

Information reported to the Group's Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is largely focused on geographical regions. The Group's reportable segments under AASB 8 are therefore as follows:

ANZ  
China (in-country and China Export division)  
Other Asia  
BioCeuticals Group  
Other  
Corporate Costs

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

The accounting policies of the reportable segments are the same as the Group's accounting policies.

### SEGMENT REVENUES

The following is an analysis of the Group's revenue from continuing operations by reportable segment.

	Consolidated Half-year ended	
	31 December 2016 \$'000	Restated 31 December 2015 \$'000
ANZ <sup>1</sup>	164,678	235,014
China (in-country and China Export division) <sup>2</sup>	63,976	33,251
Other Asia <sup>3</sup>	41,388	39,934
BioCeuticals Group <sup>4</sup>	51,091	33,234
Other <sup>5</sup>	996	-
<b>Total Segment Revenue<sup>6</sup></b>	<b>322,129</b>	<b>341,433</b>

The Group had one customer who contributed more than 10% of the Group's revenue in the period (2015: One). Included in external sales of the ANZ segment of \$164,678 thousand (2015: \$235,014 thousand) are sales of \$69,016 thousand (2015: \$86,532 thousand) which arose from sales to the Group's largest customer.

1. ANZ segment revenue includes Pure Animal Wellbeing and the benefit of sales made to Australian customers which we believe are ultimately intended for Asian markets.
2. China (in-country) relates to sales made through Blackmores' Wholly Foreign Owned Entity (WFOE), the free trade zone entities and the China Export division based in Australia.
3. Other Asia comprises the markets of: Thailand, Malaysia, Singapore, Hong Kong, Korea, Indonesia, Kazakhstan and Cambodia. Revenue for Korea of \$1,616 thousand has dropped 71% versus the prior corresponding period (2015: \$5,512 thousand).
4. BioCeuticals Group includes Global Therapeutics.
5. Other comprises Bemore.
6. Excludes interest revenue and other income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 4 SEGMENT INFORMATION (CONT.)

### SEGMENT RESULTS

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

	31 December 2016 \$'000	31 December 2015 \$'000
ANZ	24,793	56,901
China (in-country and China Export division)	16,474	11,275
Other Asia <sup>1</sup>	(232)	780
BioCeuticals Group	7,652	4,960
Other	(2,853)	-
Corporate Costs	(3,966)	(4,833)
<b>Earnings before interest and tax</b>	<b>41,868</b>	<b>69,083</b>

1. Other Asia includes an EBIT loss for Blackmores Korea of \$1,084 thousand (2015: \$1,578 thousand), and additional investment in Indonesia and Blackmores International.

Segment profit represents EBIT earned by each segment. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance.

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

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

	31 December 2016 \$'000	31 December 2015 \$'000
Profit for the period	28,161	48,304
Cash received from related party disclosed as investing cash flow	(2,137)	-
Interest revenue disclosed as investing cash flow	(178)	(182)
Depreciation and amortisation of non-current assets	4,009	3,471
Share-based payments	1,522	1,740
(Gain)/loss on disposal of non-current assets	(4)	332
Other	(16)	(409)
Movement in Foreign currency translation reserve	930	1,031
(Decrease)/increase in current tax liability	(24,204)	(1,670)
Increase in current tax asset	(1,368)	-
Decrease in deferred tax asset	443	866
Increase in deferred tax liability	259	94
Decrease in deferred tax balances related to hedge reserve in equity	(194)	(224)
Movements in working capital:		
• Decrease/(increase) in current receivables	27,745	(7,904)
• Decrease/(increase) in inventories	11,926	(18,374)
• (Increase)/decrease in other debtors and prepayments	(3,238)	1,697
• (Decrease)/increase in current trade and other payables	(66,452)	30,881
• Increase in provisions	208	748
• Increase/(decrease) in other creditors	455	(447)
<b>Net cash flows (used in)/from operating activities</b>	<b>(22,133)</b>	<b>59,954</b>

## 6 INTEREST-BEARING LIABILITIES

	31 December 2016 \$'000	30 June 2016 \$'000
<b>Non-current</b>		
Secured - at amortised cost:		
Bank bills <sup>1</sup>	123,986	55,446

1. In accordance with the security arrangements of liabilities, effectively all assets of the Parent Entity have been pledged as security.

On 14th December 2016 the Group executed a \$70 million debt revolving facility with ANZ and NAB, which is due to mature on January 2020. This facility sits under the Common Terms Deed.

On 21 February 2017 the Group executed a \$30m debt facility with Bank of China Sydney, expiring 1 March 2021.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 7 FINANCIAL INSTRUMENTS

### 7.1 Fair Value of Financial Instruments

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the Condensed Consolidated Financial Statements approximate their fair values.

#### VALUATION TECHNIQUES AND ASSUMPTIONS APPLIED FOR THE PURPOSE OF MEASURING FAIR VALUE

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives and option pricing models for optional derivatives; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

#### FAIR VALUE MEASUREMENTS RECOGNISED IN THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2016	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL \$'000
<b>FINANCIAL ASSETS AT FVTPL:</b>				
Derivative financial assets	-	109	-	109
Available-for-sale Financial Assets:				
Unquoted equities	-	-	574	574
Asset-backed securities reclassified from fair value through profit or loss	-	-	-	-
<b>Total</b>	<b>-</b>	<b>109</b>	<b>574</b>	<b>683</b>
<b>FINANCIAL LIABILITIES AT FVTPL:</b>				
Derivative financial liabilities	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>30 June 2016</b>				
	<b>LEVEL 1 \$'000</b>	<b>LEVEL 2 \$'000</b>	<b>LEVEL 3 \$'000</b>	<b>TOTAL \$'000</b>
<b>FINANCIAL ASSETS AT FVTPL:</b>				
Derivative financial assets	-	-	-	-
Available-for-sale Financial Assets:				
Unquoted equities	-	-	471	471
<b>Total</b>	<b>-</b>	<b>-</b>	<b>471</b>	<b>471</b>
<b>FINANCIAL LIABILITIES AT FVTPL:</b>				
Derivative financial liabilities	-	110	-	110
<b>Total</b>	<b>-</b>	<b>110</b>	<b>-</b>	<b>110</b>

There were no transfers between Levels 1 and 2.

#### DERIVATIVES

Interest rate swaps are measured at present value of future cash flows estimated and discounted based upon the applicable yield curves derived from quoted interest rates.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

## 8 JOINT OPERATIONS

### BEMORE PARTNERSHIP PTY LIMITED

The following amounts are included in the Group's half year financial report in relation to the joint operation, representing the Group's 50% share of Bemore Partnership Pty Limited.

	6 months ended 31 December 2016 \$'000
Sales	996
Promotional and other rebates	(520)
<b>Net revenue and other income</b>	<b>476</b>
Raw materials and consumables <sup>1</sup>	2,508
Operating expenses	821
<b>Net loss for the period</b>	<b>(2,853)</b>

1. Included in this expense is a provision for obsolescence of \$2,000 thousand.

At 31 December 2015 there were no amounts included in the Blackmores Group Financial statements in relation to the joint operation.

	31 December 2016 \$'000	30 June 2016 \$'000
Cash and cash equivalents	604	822
Receivables	37	626
Inventory	3,397	5,029
<b>Total assets</b>	<b>4,038</b>	<b>6,477</b>
Other payables	178	510
Payables to Joint operators	328	1,781
Loans from Joint operators	7,200	5,000
<b>Total liabilities</b>	<b>7,705</b>	<b>7,291</b>
<b>Net liabilities</b>	<b>(3,667)</b>	<b>(814)</b>
<b>Accumulated losses</b>	<b>(3,667)</b>	<b>(814)</b>



**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)**