

ASX / Media Release

Ascent's Half-Year Results Commentary

*Growth returns to Australian generics business after PBS reforms
Strong Asian growth with Green Cross acquisition*

27 August 2009, Melbourne: Ascent Pharmahealth Ltd (ASX:APH) today reported its results for the half-year period ending 30 June 2009, delivering solid growth in the aftermath of the PBS reforms. The result showed an 18% increase in net sales and a 29% improvement in EBITDA over the previous half-year period ending 31 December 2008.

Half-Year Result Highlights

Key points:

- Net sales of \$47.2 million, up 18% on the previous half-year period of \$40.2 million
 - Net sales up 42% on the previous corresponding period of \$33.4 million
 - Australian generic pharmaceutical sales to pharmacy were up 3% on the previous corresponding period pre-PBS reforms levels whilst generic sales volumes increased by 16% over the pcp
- EBITDA of \$5.3 million, up 29% on the previous half-year period of \$4.1 million
 - EBITDA/Sales was 11.2% against 10.3% in the previous half-year period
- NPBT of \$3.4 million, up 120% on the previous half-year period of \$1.6 million
- Positive operating cashflow of \$3.4 million for the half-year period

CEO Comments

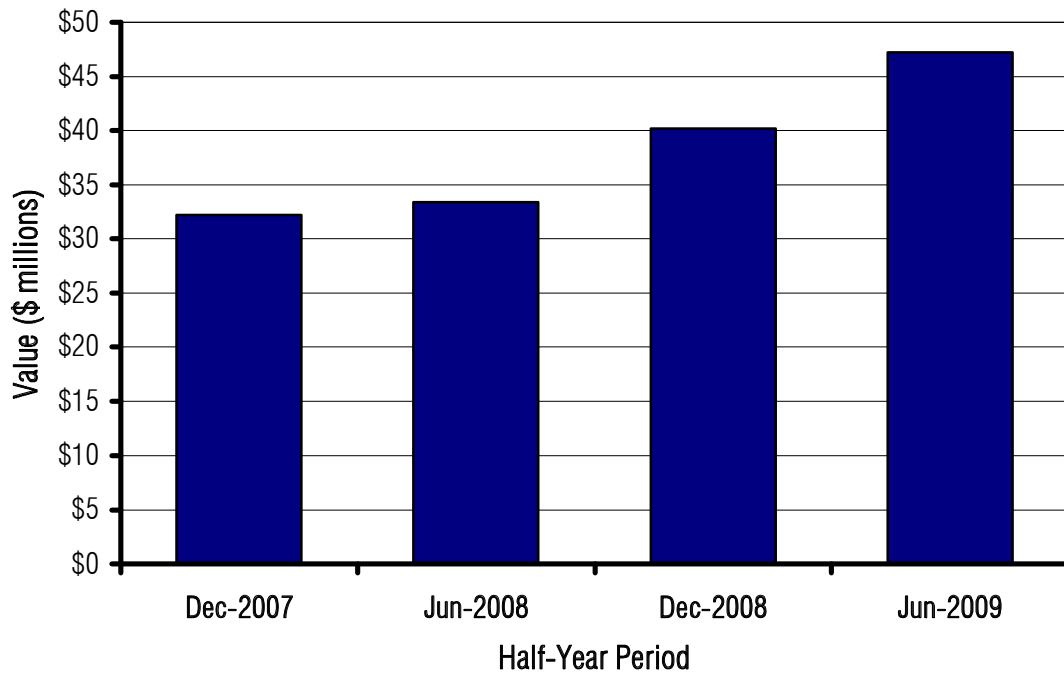
“The Company has been through the toughest year the Australian generic pharmaceutical market has ever experienced. PBS reforms and aggressive local competition have placed all companies in the sector under significant margin pressure. But due to the Ascent’s strategy of product diversification and Asian expansion we have delivered another profitable half-year with a positive operating cashflow of \$3 million for the period,” said Mr Dennis Bastas, CEO and Managing Director of Ascent.

“Strong volume growth in generic pharmaceutical operations over the past year has seen the Company exceed pre-PBS reform generic revenue levels in Australia while other consumer health products achieved growth in excess of 25% over the previous corresponding period,” said Mr Bastas. “We are now hoping to experience some stability in the Australian market after a couple of years of industry challenges and to see our successes translate into solid profit growth.”

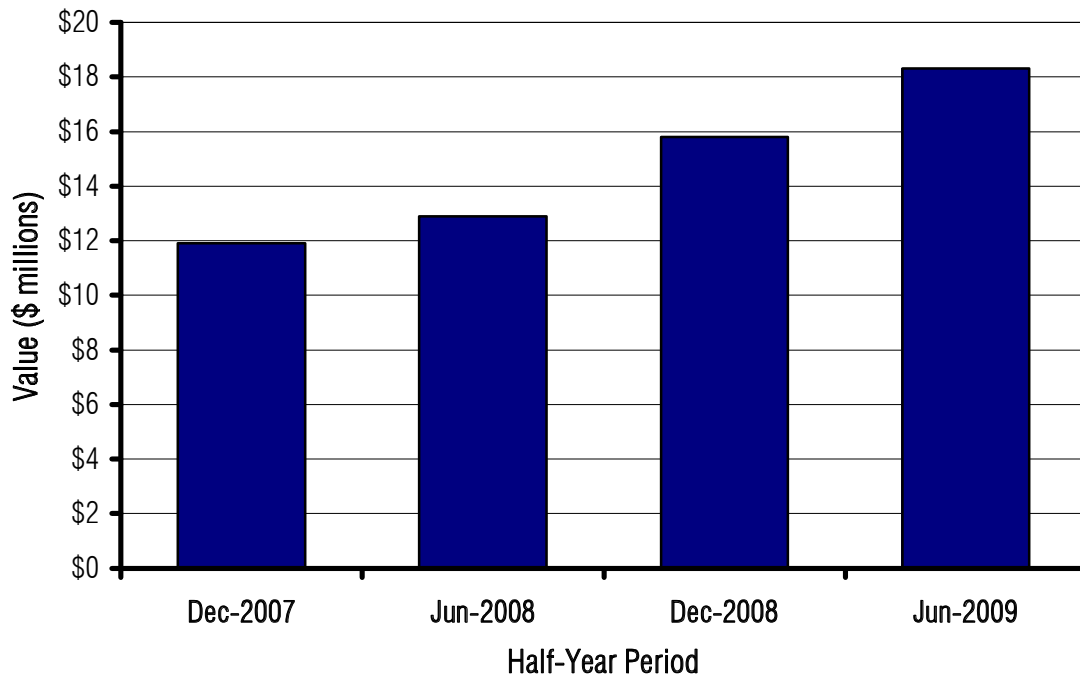
Mr Bastas added, “The acquisition of the Green Cross business in Singapore and its successful integration into our Asian operations has now seen Ascent become a top 10 pharmaceutical company in Singapore and the country’s largest generic drug company. Strong organic growth in a number of other markets including, Malaysia, Hong Kong, Thailand and Vietnam have also added to a positive result for Asian operations.

“The past year has seen a significant increase in operational costs as we invested in marketing programs and organisational restructuring. Some of those costs were one-off expenses and going forward underlying operating costs are expected to be reduced by around 10%,” said Mr Bastas.

Net Sales
by half-year period



Gross Profit
by half-year period



Australian Operations

Pharmacy sales value of the Company's generic pharmaceutical range is now back above levels of a year ago, prior to the government's PBS pricing reforms which reduced the wholesale price of over 70 key generic pharmaceuticals by 25%. The 3% growth of generic drug sales over the previous corresponding period was achieved with a 16% increase in the volume of drugs sold to pharmacy. This is indicative of solid underlying growth in the Company's market share.

The Company has a number of new generic medicine launches in the pipeline which along with improved supply pricing will provide for improved margins over the coming periods.

Ascent's skincare sales achieved 38% growth over the previous corresponding period and launches into two of Australia's leading pharmacy retail chains in the next period are expected to see continued strong sales growth in this division.

Asian Operations

The Singapore based operation of Ascent has delivered a 30% sales growth over the previous corresponding period largely due to the addition of the Green Cross business which was acquired from 7 April 2009. This has been an excellent result, particularly in light of the significant impact the global financial crisis has had on Singapore's health spending over the period.

The integration of the Green Cross operations into Ascent's Singapore operations has been completed with marginal additional operating costs and sales synergies have already delivered growth on prior sales performance.

Company Outlook

Ascent continues to be well positioned to deliver sustainable profit growth in the competitive market of generic pharmaceuticals and consumer healthcare products in Australia and Asia.

The Company's diverse product range and geographical reach has provided an improved EBITDA-to-Sales ratio of 11%, a 9% improvement over the previous half year period. This is expected to improve further as significant sales growth can be built on what is largely a fixed operating cost base.

The Company will continue to seek growth opportunities in Australia and Asia, leveraging the solid market position and sales infrastructure that the Ascent companies now have in the region.

Inquiries:

Dennis Bastas
Ascent Pharmahealth Ltd
+61 3 8677 6660

About Ascent:

Ascent Pharmahealth Ltd (ASX:APH) sells over 400 products in eight countries. It is one of Australia's and Asia's fastest growing and most dynamic pharmaceutical businesses. Ascent registers, markets, distributes and sells generic pharmaceuticals, consumer skincare and over-the-counter medicines. Key subsidiaries are Genepharm, one of Australia's top 5 generic pharmaceutical companies and Drug Houses of Australia, Singapore's largest generic pharmaceutical company with products distributed across seven Asian countries. The company listed on the Australian Securities Exchange in June 2004. For more information visit: www.ascentpharma.com.au.

Attachment 1

Final Result Half-Year to 30 June 2009

	Half-Year Results 30 Jun 2009 \$'000	Half-Year Results 31 Dec 2008 \$'000	% Growth	Half-Year Results 30 Jun 2008 \$'000
Net sales	\$47,249	\$40,192	18%	\$33,391
Cost of Sales	(\$29,173)	(\$24,502)		(\$20,499)
Gross Profit	\$18,076	\$15,690	15%	\$12,892
Other revenue	\$124	\$191		\$8
Operating Expenses	(\$12,893)	(\$11,758)	10%	(\$8,107)
EBITDA	\$5,307	\$4,123	29%	\$4,793
<i>% Revenue</i>	<i>11%</i>	<i>10%</i>		<i>14%</i>
Dep'n & Amortisation	(\$1,624)	(\$1,849)		(\$657)
EBIT	\$3,683	\$2,274	62%	\$4,136
Interest Expense	(\$351)	(\$460)		(\$384)
Forex gain/(loss) on USD Loan Facility	\$108	(\$248)		-
NPBT	\$3,440	\$1,566	120%	\$3,752
Tax Expense	(\$727)	(\$34)		(\$912)
NPAT	\$2,713	\$1,532	77%	\$2,840





Name of entity: Ascent Pharmahealth Limited

ABN: 52 107 340 367

Release to the Market

Half-year financial report (Appendix 4D)

For the six month period ended 30 June 2009

Please Note: On 24 November 2008 Ascent gained approval from ASIC to change its financial year of 1 July to 30 June to a new reporting period of 1 January to 31 December. This half-year report is for the period from 1 January to 30 June 2009 with the comparative period being 1 January 2008 to 30 June 2008.

For all media enquiries:	Dennis Bastas, CEO & Managing Director +61 3 8677 6660
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ASX Listing Rule 4.2A

1. Half year ended		- Current Period	Six months to 30 June 2009		
		- Prior period	Six months to 30 June 2008		
	Results for announcement to the market	\$'000	% change from previous period		AS'000
2.1	Sales Revenues from continuing operations	Up \$13,858	41.5 %	to	\$ 47,249
2.2	Net Profit from continuing operations	Down \$127	4.5%	to	\$ 2,713
2.3	Net profit for the period attributable to members	Down \$127	4.5%	to	\$ 2,713
2.4	Dividends (distributions)		Amount per security		Franked amount per security
	Final Dividend		Nil		Nil
	Previous corresponding period		Nil		Nil
2.5	The record date for determining entitlements to the dividends		n/a		
2.6	See separate announcement entitled <i>Results Commentary</i> for explanation on the above information				
3.	Income Statement – see accompanying half-year financial report				
4.	Balance sheet – see accompanying half-year financial report				
5.	Cash flow statement – see accompanying half-year financial report				

6. Dividends

No dividends were declared for the six month period ended 30 June 2009.

7. Details of dividend or distribution reinvestment plans in operation

n/a

8. Net asset backing

	30 June 2009 cents	31 December 2008 cents	30 June 2008 cents
Net tangible assets per ordinary security	4.0	4.0	9.1

9. Control gained over entities during the period

On April 7 2009, Ascent Pharmahealth Limited's wholly owned subsidiary, Ascent Pharmahealth Asia Private Limited (APHA,) acquired 100% of the share capital of Green Cross Pharma Private Limited (Green Cross), a Singaporean based generic pharmaceuticals marketer and distributor for cash consideration of S\$4.0million (A\$3.8 million).

10. Details of aggregate share of profits (losses) of associates and joint venture entities

n/a

11. Subsequent events

There have been no material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

12. Commentary on the results for the period

See separate announcement entitled *Commentary on Results*, and in the Directors Report in the accounts.

13. Compliance Statement

The financial statements have been reviewed and are not subject to dispute or qualification (a copy of the auditors' review report is included in the condensed half-year financial report attached).

Signed on behalf of the Board
Ascent Pharmahealth Limited:



Signed: Dennis Bastas
CEO & Managing Director

Date: 27 August 2009



Ascent Pharmahealth limited
ABN 52 107 340 367

Condensed half-year financial report
For the six month period ended 30 June 2009

Please Note: On 24 November 2008 Ascent gained approval from ASIC to change its financial year of 1 July to 30 June to a new reporting period of 1 January to 31 December. This half-year report is for the period from 1 January to 30 June 2009 with the comparative period being 1 January 2008 to 30 June 2008.

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Corporate information

Ascent Pharmahealth Limited

ABN: 52 107 340 367

Directors

R. Aston (Chairman)

D. Bastas

T. J. R. O'Brien AM

W. J. Jenkins

A. Kumar

R. Seth

Company secretaries

A. Burgess (appointed 22 July 2009)

J. Dal Santo (resigned 30 June 2009)

S. L. Blank

Registered office

151-153 Clarendon Street,
South Melbourne, Victoria, 3205, Australia

Principal place of business

151-153 Clarendon Street,
South Melbourne, Victoria, 3205, Australia
Phone: 61 3 8677 6660

Share registry

Computershare Investor Services Pty Ltd,
Yarra Falls, 452 Johnstone Street
Abbotsford, Victoria, 3067, Australia
Phone: 1300 850 505

Ascent Pharmahealth Limited's shares are listed on the Australian Stock Exchange (ASX).

Bankers

Bank of Western Australia Ltd
Level 5, Bourke Place
600 Bourke Street
Melbourne, Victoria, 3000, Australia

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria, 3000, Australia

Website address

www.ascentpharma.com.au

Directors' Report

Your directors submit their report for the half-year ended 30 June 2009.

Directors

The names of the company's directors in office during the half-year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated.

Name:

Dr Roger Aston (Chairman)

Dennis Bastas (Managing Director and Chief Executive Officer)

Thomas J. R. O'Brien AM

Warren J. Jenkins

Arun Kumar

Ravi Seth

Director since:

4 February 2008

10 December 2003

6 April 2004

7 February 2007

31 July 2008

31 July 2008

Review and results of operations

Sales revenue for the half-year was \$47,249,000 (2008: \$ 33,391,000), an increase of 41.5% on the prior corresponding period. The result for this period includes the added revenues from the Company's Asian operations of \$18,915,000 for the half-year. These include revenues from DHA and the Strides Asian businesses acquired in August 2008 and revenue from the Green Cross Pharma business acquired in April 2009.

The Company completed the acquisition of Green Cross Pharma Pte Ltd, a leading Singapore based generic pharmaceutical company, on 7 April 2009 for a final consideration of S\$4.0 million (AUD\$3.8 million). The combined Singapore business of the Company makes Ascent Pharmahealth Asia the largest generic pharmaceutical company in Singapore.

Sales revenue from the Australian operations for the period was \$28,334,000, a decrease of 14% on the previous corresponding period. During the prior half-year period the Australian business discontinued the distribution of low-margin licensed generic pharmaceutical lines which when excluded from the previous corresponding period the result was an increase in generic pharmaceutical sales to pharmacy of 3%. The Company continues to deliver significant volume growth in generic pharmaceutical sales and increased market share. The Company has also successfully negotiated improved supplier terms with the result that Australian gross margins have improved over the last six month period ending 31 December 2008.

Consolidated net profit after tax from continuing operations was \$2,713,000, a decrease of 4.5% on the previous corresponding period. This included some redundancy costs involved in the restructuring of the Company's operations and a significant increase in marketing expenditure as the Company promoted new product ranges and built a brand platform for future growth in its consumer health products.

Directors' Report (continued)

Rounding

The amounts contained in this report and in the condensed financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditor independence declaration

We have obtained the auditor's independence declaration from our auditors, Ernst & Young. Please refer to page 6 for the Auditor's independence declaration.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Dennis Bastas', with a long horizontal flourish extending to the right.

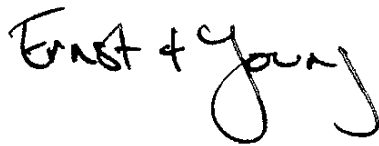
Dennis Bastas

Managing Director and Chief Executive Officer

Melbourne, 27 August 2009

Auditor's Independence Declaration to the Directors of Ascent Pharmahealth Limited

In relation to our review of the financial report of Ascent Pharmahealth Limited for the half-year ended 30 June 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Ashley C Butler
Partner
27 August 2009

Income Statement

		6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000
	Notes		
Net sales of goods		47,249	33,391
Cost of Sales		(29,173)	(20,499)
Gross profit		18,076	12,892
Other revenue	2	150	42
Sales and marketing expenses		(6,489)	(4,658)
Distribution expenses		(1,918)	(767)
Corporate affairs expenses		(1,072)	(493)
Regulatory affairs expenses		(1,041)	(598)
Occupancy expenses		(628)	(453)
Administration expenses		(3,188)	(1,556)
Other expenses	3 (a)	-	(35)
Finance costs	3 (b)	(450)	(622)
Profit before income tax		3,440	3,752
Income tax expense	5	(727)	(912)
Net profit for the period		2,713	2,840
Basic profit per share (cents per share)		1.1	2.1
Diluted profit per share (cents per share)		1.1	2.1

The Income Statement is to be read in conjunction with the notes to the financial statements.

Statement of comprehensive income

	6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000
Net profit for the period	2,713	2,840
Other comprehensive income:		
Foreign currency translation differences for foreign operations	(5,558)	-
Total other comprehensive income	<hr style="border-top: 1px solid black;"/> (5,558)	<hr style="border-top: 1px solid black;"/> -
Total comprehensive income / (loss) attributable to the shareholders of Ascent Pharmahealth Limited	<hr style="border-top: 1px solid black;"/> (2,845)	<hr style="border-top: 1px solid black;"/> 2,840

The Statement of comprehensive income is to be read in conjunction with the notes to the financial statements

Balance Sheet

		30 June 2009 \$'000	31 December 2008 \$'000
	Notes		
Current assets			
Cash and cash equivalents		5,632	2,681
Trade and other receivables	7	19,447	21,600
Inventories	8	16,140	14,191
Other current assets	9	727	1,126
Total current assets		41,946	39,598
Non-current assets			
Prepayments non-current		60	-
Plant and equipment		3,429	3,511
Intangible assets and goodwill	11	90,854	92,884
Deferred tax assets		2,656	2,569
Total non-current assets		96,999	98,964
Total assets		138,945	138,562
Current liabilities			
Trade and other payables	12	19,570	17,091
Interest bearing liabilities	13	4,959	3,296
Income tax payable		1,228	1,033
Provisions	14	416	457
Total current liabilities		26,173	21,877
Non-current liabilities			
Interest bearing liabilities	13	9,924	11,106
Deferred tax liabilities		2,098	1,929
Provisions	14	131	186
Total non-current liabilities		12,153	13,221
Total liabilities		38,326	35,098
Net assets		100,619	103,464
Equity			
Contributed equity	15	118,175	118,175
Other reserves	16	3,819	9,377
Accumulated losses		(21,375)	(24,088)
Total equity		100,619	103,464

The Balance Sheet is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

	Issued Capital \$000's	Retained losses \$'000	Other Reserves \$'000	Total \$'000
At 31 December 2007	96,727	(27,767)	2,494	71,454
Total comprehensive income for the half-year	-	2,840	-	2,840
Share issue costs	(49)	-	-	(49)
Share-based payments	-	-	23	23
Issue of share capital	9	-	-	9
At 30 June 2008	96,687	(24,927)	2,517	74,277
Total comprehensive income for the half-year	-	1,532	6,860	8,392
Dividends paid	-	(693)	-	(693)
Issue of share capital, net of issue costs	21,488	-	-	21,488
At 31 December 2008	118,175	(24,088)	9,377	103,464
Total comprehensive income for the half-year	-	2,713	(5,558)	(2,845)
At 30 June 2009	118,175	(21,375)	3,819	100,619

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements.

Cash Flow Statement

		6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000
Cash flows from operating activities			
Receipts from customers		53,536	33,533
Payments to suppliers and employees		(49,167)	(29,146)
Interest received		-	34
Interest paid		(436)	(557)
Income taxes (paid)/received		(535)	197
Net cash flow from operating activities	17	<u>3,398</u>	<u>4,061</u>
Cash flows from investing activities			
Purchase of plant and equipment		(724)	(658)
Payments for intangible assets		(120)	(307)
Acquisition of subsidiary, net of cash acquired	21 (a)	(1,490)	-
Payments in respect of acquisitions in prior periods	21 (b)	(184)	(1,368)
Net cash flow (used in) investing activities		<u>(2,518)</u>	<u>(2,333)</u>
Cash flows from financing activities			
Proceeds from the issue of shares		-	9
Transaction costs from the issue of shares		-	(49)
Proceeds from borrowings		3,690	-
Repayment of borrowings		(1,662)	(1,000)
Net cash flows from/(used in) financing activities		<u>2,028</u>	<u>(1,040)</u>
Net increase / (decrease) in cash held		2,908	688
Net foreign exchange differences		397	-
Cash and cash equivalents at the beginning of the financial period		2,291	1,436
Cash and cash equivalents at the end of the financial period	4	<u>5,596</u>	<u>2,124</u>

The Cash Flow Statement is to be read in conjunction with the notes to the financial statements.

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009****Note 1. Basis of Preparation**

This general purpose condensed financial report for the half-year ended 30 June 2009 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the period ended 31 December 2008 and considered together with any public announcements made by the Ascent Pharmahealth limited during the half-year ended 30 June 2009 in accordance with continuous disclosure obligations of the ASX listing rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual report.

Changes in accounting policy

From 1 January 2009 the Group has adopted the following standards and interpretations, mandatory for accounting periods beginning on or after 1 January 2009. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group; however the adoption of the revised AASB 101 has introduced a Statement of comprehensive income and the adoption of AASB 8 has changed the segment reporting of the Group as set out in Note 5.

- AASB 8 *Operating Segments*
- AASB 101 *Presentation of Financial Statements* (Revised)
- AASB 123 *Borrowing Costs* (Revised)

The following amending standards have also been adopted from 1 January 2009:

- AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8*
- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*
- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share Based Payments: Vesting Conditions and Cancellations*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-6 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Interpretation 11 IFRS 2 – *Group and Treasury Share Transactions*
- Interpretation 12 *Service Concession Arrangements*
- Interpretation 13 *Customer Loyalty Programs*
- Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*

The Group has not elected to early adopt any new or amended standards.

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009**

	6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000
Note 2. Revenue		
(a) Other revenue		
Interest	26	34
Other	124	8
	<u>150</u>	<u>42</u>
Note 3. Expenses		
(a) Other expenses		
Shares issued to staff	-	35
	<u>-</u>	<u>35</u>
(b) Finance costs		
Bank fees and charges	143	177
Interest	367	418
Bad debts written off	38	27
Borrowing costs	10	-
Foreign exchange (gain)/loss (USD loan)	(108)	-
	<u>450</u>	<u>622</u>
(c) Depreciation and amortisation		
Depreciation – plant and equipment	529	335
Amortisation of customer relationships and contracts	713	-
Amortisation of dossier costs	297	238
Amortisation of supplier licence agreement	85	84
	<u>1,624</u>	<u>657</u>
(d) Lease payments included in income statement		
Minimum lease payments – operating lease	<u>758</u>	<u>754</u>
(e) Employee benefits expense		
Wages and salaries	6,384	3,867
Defined contribution superannuation	447	316
Share-based payment expense	-	(25)
Other employee benefits expense	780	234
	<u>7,611</u>	<u>4,392</u>

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009**

	30 June 2009 \$'000	31 December 2008 \$'000
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Note 4. Cash and cash equivalents

For the purpose of the Cash Flow statement, cash comprised the following:

Cash at bank and on hand	5,632	2,681
Bank overdraft (note 13)	(36)	(390)
	5,596	2,291

	6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000
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Note 5. Income tax expense

Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per statutory income tax rate.

Accounting profit before tax	3,440	3,752
At the statutory income tax rate of 30%	1,032	1,126
Tax differential on foreign entities (Singapore:17%)	(486)	-
Capital allowances	(15)	-
Tax exemption	(37)	-
Equity based payments	-	11
Prior period (overs)/ unders	216	(235)
Non-deductible expenditure	17	10
Income tax expense reported in income statement	727	912

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009****Note 6. Segment reporting**

As the Group has adopted AASB 8 *Segment Reporting* for the first time in this half-year financial report the accounting policies relating to the segment disclosure are set out below.

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are used by the chief executive officer in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the operations and the business and regulatory environment in the respective regions. Discrete financial information about each of these operating businesses is reported to the chief executive officer on a monthly basis.

The reportable segments are based on aggregated operating businesses in each region determined by the similarity of the business and regulatory environment and the products produced and/or sold in each region as these represent the Group's major risk profiles and have the most effect on the rates of return.

Types of products and services

- **Australian operations**
Australian operations comprise the distribution of locally sourced and imported prescription generic and dermatological pharmaceuticals and specialised consumer personal care products to doctors, pharmacists and other healthcare customers either direct or through wholesalers.
- **Asian operations**
Asian operations comprise the manufacture and importation of pharmaceuticals and related products to supply customers in the Singapore market, including hospitals and pharmacists, and export customers.
- **Unallocated**
The unallocated segment comprises the operating costs of the Group head office in Australia. Unallocated assets predominantly comprise receivables, fixed assets and deferred tax assets. Unallocated liabilities predominantly comprise borrowings on behalf of the Group, payables and provisions for corporate employee benefits.

Inter-entity transactions

- **Inter-entity sales**
There are no material inter-entity sales.
- **Inter-entity funding**
External funding is held in the unallocated segment. Inter-entity transactions are either settled in cash or included in inter-entity loan accounts which are interest free and have no set repayment terms.
- **Income tax expense**
The tax expense in each segment is based on the taxable income of the segment. There is a tax funding agreement in place between the Australian and Unallocated segments under which the tax liability of the Australian segment is transferred to the Unallocated segment via the inter-entity loan accounts

Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009

Note 6. (continued) Segment reporting for the half year ended 30 June 2009

	Australian operations \$'000	Asian operations \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
Sales to external customers	28,334	18,915	-	-	47,249
Other revenue from external customers	5	119	-	-	124
Total segment revenue	28,339	19,034	-	-	47,373
Segment net profit before tax	1,804	3,745	(2,109)	-	3,440
Tax (expense)/benefit	(655)	(672)	600	-	(727)
Net profit after tax	1,149	3,073	(1,509)	-	2,713
Profit and loss disclosure:					
Interest revenue	19	7	60	(60)	26
Interest expense	-	(58)	(365)	56	(367)
Depreciation	(330)	(187)	(12)	-	(529)
Amortisation	(382)	(713)	-	-	(1,095)
Segment assets	89,865	45,703	3,377	-	138,945
Segment liabilities	(12,105)	(9,756)	(16,465)	-	(38,326)
Capital expenditure disclosure:					
Plant and equipment	(395)	(329)	-	-	(724)
Intangibles	(84)	-	(36)	-	(120)

Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009

Note 6. (continued) Segment reporting for the half year ended 30 June 2008

	Australian operations \$'000	Asian operations \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
Sales to external customers	33,391	-	-	-	33,391
Other revenue from external customers	8	-	-	-	8
Total segment revenue	33,399	-	-	-	33,399
Segment net profit before tax	5,326	-	(1,574)	-	3,752
Tax (expense)/benefit	(1,598)	-	686	-	(912)
Net profit after tax	3,728	-	(888)	-	2,840
Profit and loss disclosure:					
Interest revenue	31	-	3	-	34
Interest expense	-	-	(418)	-	(418)
Depreciation	(274)	-	(61)	-	(335)
Amortisation	(307)	-	(15)	-	(322)
Other non-cash expenses	(345)	-	-	-	(345)
Segment assets	92,314	-	3,159	-	95,473
Segment liabilities	(11,730)	-	(9,466)	-	(21,196)
Capital expenditure disclosure:					
Plant and equipment	(658)	-	-	-	(658)
Intangibles	(307)	-	-	-	(307)

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009**

	30 June 2009 \$'000	31 December 2008 \$'000
Notes		
Note 7. Trade and other receivables – Current		
Trade receivables	18,599	20,755
Allowance for impairment loss	(128)	(107)
Receivables from related parties	671	610
Other receivables	305	342
	19,447	21,600
Note 8. Inventories		
Inventories on hand and in transit	16,602	14,764
Provision for obsolete stock	(462)	(573)
	16,140	14,191
Note 9. Other current assets		
Deposits	298	464
Prepayments	429	621
Acquisition costs	-	41
	727	1,126
Note 10. Plant and equipment		
Acquisitions and disposals		
During the half-year ended 30 June 2009, the Group acquired assets with a cost of \$ 845,705 (2008: \$657,634).		
Assets with a cost of \$ 30,544 were disposed of by the Group during the half-year ended 30 June 2009 (2008: \$ nil)		

Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009

	30 June 2009 \$'000	31 December 2008 \$'000
Notes		
Note 11. Intangible assets and goodwill		
Dossier costs	4,890	4,806
Accumulated amortisation	(1,936)	(1,889)
	<u>2,954</u>	<u>2,917</u>
Supplier Licence Agreement	1,185	1,185
Accumulated amortisation	(508)	(423)
	<u>677</u>	<u>762</u>
Customers Relationships and contracts	5,679	5,679
Accumulated amortisation	(1,048)	(430)
Currency translation difference	615	1,687
	<u>5,246</u>	<u>6,936</u>
Trademarks	8,894	8,859
Currency translation difference	266	730
	<u>9,160</u>	<u>9,589</u>
Goodwill on consolidation	71,426	67,645
Currency translation difference	1,391	5,035
	<u>72,817</u>	<u>72,680</u>
Total	<u>90,854</u>	<u>92,884</u>

The movement in currency translation difference for the period attributable to intangible assets and goodwill is \$5,180,000

Note 12. Trade and other payables

Trade creditors and accruals	12,428	11,244
Payables to related parties	2,818	1,603
Other payables	3,881	3,700
Net GST payable	443	544
	<u>19,570</u>	<u>17,091</u>

Note 13. Interest bearing liabilities*Current*

Hire purchase	6	10
Bank overdraft	36	390
Accrued interest	31	131
Loans	4,886	2,765
	<u>4,959</u>	<u>3,296</u>

Non current

Loans	9,924	11,106
	<u>9,924</u>	<u>11,106</u>

Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009

30 June	31 December
2009	2008
\$'000	\$'000

Note 14. Provisions

Current

Employee entitlements

416	457
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416	457
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Non Current

Employee entitlements

131	186
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131	186
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Note 15. Contributed Equity

Ordinary shares

Issued and fully paid

118,175	118,175
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Reconciliation of movement in contributed equity

Balance at 1 January 2009

No of shares	Value A\$'000
249,439,547	118,175

Balance at 30 June 2009

249,439,547	118,175
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Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009

Note 16. Reserves

	Employee equity benefits reserve \$'000	Loyalty program equity benefits reserve \$'000	Convertible notes reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
At 31 December 2007	1,832	361	301	-	2,494
Recognition of share based payments expense	15	8	-	-	23
At 30 June 2008	1,847	369	301	-	2,517
Foreign currency translation differences for foreign operations	-	-	-	6,860	6,860
At 31 December 2008	1,847	369	301	6,860	9,377
Foreign currency translation differences for foreign operations	-	-	-	(5,558)	(5,558)
At 30 June 2009	1,847	369	301	1,302	3,819

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009**

6 months to 30 June 2009 \$'000	6 months to 30 June 2008 \$'000
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Note 17. Notes to the Cash Flow Statement

**Reconciliation of net profit after tax
to net cash flows from operating activities**

Net profit after tax	2,713	2,840
<i>Adjustments for:</i>		
Depreciation of non-current assets	529	335
Amortisation of intangible assets	1,095	322
Amortisation of borrowing costs	10	-
Net foreign exchange (gains) / losses	(112)	-
Share options expense	-	35
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	1,821	(3,441)
(Increase)/decrease in inventories	(1,881)	(233)
(Increase)/decrease in other current assets	366	192
(Increase)/decrease in other non-current assets	(60)	-
(Increase)/decrease in deferred tax assets	(86)	216
Increase/(decrease) in trade and other payables	(2,776)	3,213
Increase/(decrease) in payables to related parties	1,597	-
Increase/(decrease) in tax payable and deferred tax liabilities	279	544
Increase/(decrease) in provisions	(97)	38
Net cash from operating activities	3,398	4,061

Note 18. Commitments and contingencies

There have been no material changes in commitments and in contingent assets since the last annual reporting date.

Contingent Liabilities

The Group derives the majority of its revenue from the sale of generic pharmaceuticals. Operating in this segment the Group is occasionally subject to litigation where the Originator seeks to have patents upheld to protect the life of its products against a generic competitor.

At balance date Genepharm (Australia) Limited, a subsidiary of Ascent Pharmahealth Limited, has been joined to proceedings against a generic manufacturer in relation to a generic pharmaceutical Genepharm licenses from the manufacturer. The manufacturer is the primary respondent and a number of other generic distributors who license the product in Australia have also been joined to the proceeding.

The Originator has been unsuccessful in upholding its patent claims for the same product in other jurisdictions, including the United Kingdom. A final hearing on this matter is not expected before late 2010 and as at balance date the outcome remains uncertain. Accordingly, no liability has been recognised in the accounts at balance date.

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009**

Note 19. Subsequent events

There have been no material events subsequent to the end of the period that have not been reflected in the financial statements for the period.

Note 20. Related party transactions

Transactions with related parties

During the half-year ended 30 June 2009 Ascent Pharmahealth Asia Private Limited, a subsidiary of Ascent Pharmahealth Limited, purchased inventory from the ultimate parent company, Strides Arcolab Limited, in the sum of \$ 5,521,646 (6 months to 30 June 2008: \$ Nil). The balance owing to Strides Arcolab Limited at 30 June 2009 was \$ 2,818,428 (31 December 2008: \$ Nil).

During the half-year ended 30 June 2009 Geneparm Australia Limited, a subsidiary of Ascent Pharmahealth Limited, paid Strides Arcolab Limited \$20,714 for reimbursement of product development costs (6 months to 30 June 2008: \$ Nil).

At 30 June 2009 Ascent Pharmahealth Limited has a receivable from to Strides Arcolab Limited of \$607,857 (31 December 2008: \$ 609,737) and Linkace Limited of \$63,388 (31 December 2008: Nil).

During the half-year ended 30 June 2009 Ascent Pharmahealth Limited (“the company”) paid Nautic Blue Project Management Services, a related entity of J Dal Santo, Company Secretary for the period (resigned 30 June 2009), the sum of \$60,967 for professional services related to the financial and reporting requirements of the company and for professional services in connection with the acquisition of Green Cross Pharma Private Limited. Ascent Pharmahealth Asia Private Limited paid Red Consulting, a related entity of J Dal Santo, the sum of \$120,000 for professional services in connection with the acquisition of Green Cross Pharma Private Limited.

Sales to and purchases from related parties are made in arm’s length transactions both at normal market prices and on normal commercial terms. Outstanding balances at period end are unsecured, interest free and settlement occurs in cash.

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009**

Note 21. Business combinations

(a) Acquisition of subsidiaries

On 7 April 2009, a subsidiary of the Company, Ascent Pharmahealth Asia Private Limited, acquired 100% of the voting shares of Green Cross Pharma Private Limited, a company based in Singapore, operating a generic pharmaceutical sales and distribution business. The total cost of the acquisition was \$ 4,109,636 and comprised consideration of \$ 3,803,838 (S\$4,004,300) and costs directly attributable to the combination.

	Recognised on acquisition \$'000	Carrying value \$'000
Cash and cash equivalents	2,500	2,500
Trade receivables	674	674
Deposits	11	11
Inventories	829	847
	4,014	4,032
Trade payables	3,494	3,494
Other payables	39	39
Income tax payable	153	153
	3,686	3,686
Fair value of identifiable net assets	328	
Goodwill arising on acquisition	3,782	
	4,110	
Cost of the combination:		
Purchase consideration	3,804	
Costs associated with the acquisition	306	
Total cost of the combination	4,110	
Net cash outflows were as follows:		
Cash from acquired business	2,500	
Purchase consideration	(3,804)	
Costs associated with the acquisition	(306)	
	(1,610)	
Less amounts not yet paid	120	
Net cash outflow	(1,490)	

The key factors contributing to the \$3.8 million of goodwill relate to the synergies expected to be achieved as a result of combining Green Cross with the rest of the Asian members of the Group.

For the period from 1 April 2009 Green Cross earned \$ 2.3 million of revenue and \$0.3 million of net profit after tax.

If it had been acquired at the start of the financial period Green Cross would have earned \$ 0.5 million of net profit after tax.

Note 21. Business combinations (continued)**(b) Acquisition of Ascent Pharmahealth Asia Private Limited**

During the half-year ended 30 June 2009 further transactions occurred in relation to the acquisition of Ascent Pharmahealth Asia Private Limited. These have changed the fair values and costs associated with the acquisition provisionally accounted for at 31 December 2008. As a result the following balances have been restated in the December 2008 comparatives:

	\$'000
Plant and equipment	1,294
Cash and cash equivalents	497
Trade receivables	2,949
Prepayments	269
Inventories	3,004
Intangibles	8,138
	<u>16,151</u>
Trade payables	1,147
Other payables	1,077
Interest bearing liabilities	4,241
Income tax payable	695
Deferred tax liability	1,836
	<u>8,996</u>
Fair value of identifiable net assets	7,155
Goodwill arising on acquisition	16,954
	<u>24,109</u>
Adjustments to amounts provisionally accounted for:	
Other payables	184
Deferred tax liability	(738)
Goodwill arising on acquisition	<u>(554)</u>
Adjusted fair value of identifiable net assets	7,893
Adjusted goodwill arising on acquisition	16,400
	<u>24,293</u>
Adjusted cost of the combination	
Shares issued at fair value	22,182
Adjusted costs associated with the acquisition	2,111
	<u>24,293</u>

The following amounts were paid in the half-year ended 30 June 2009:

	6 months to 30 June 2009 \$'000
Net cash outflows were as follows:	
Payments in respect of acquisitions in prior periods	<u>(184)</u>
Net cash outflow	<u>(184)</u>

**Notes to and forming part of the Half-year financial report
for the period ending 30 June 2009****Note 21. Business combinations (continued)**

The following balances were restated as at 31 December 2008:

	As reported December 2008 \$000	Change \$000	Restated December 2008 \$000
Other payables	3,516	184	3,700
Deferred tax liability	2,667	(738)	1,929
Goodwill	73,234	(554)	72,680

Directors' declaration

In accordance with a resolution of the directors of Ascent Pharmahealth Limited, I state that in the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) Giving a true and fair view of the financial position as at 30 June 2009 and the performance for the half-year ended on that date of the consolidated entity
 - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

On behalf of the board



Dennis Bastas

Managing Director and Chief Executive Officer

Melbourne, 27 August 2009

To the members of Ascent Pharmahealth Ltd

Report on the Condensed Half-Year 30 June 2009 Financial Report

We have reviewed the accompanying half year financial report of Ascent Pharmahealth Ltd, which comprises the condensed balance sheet as at 30 June 2009, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the 30 June 2009 half year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

Directors' Responsibility for the Half Year ended 30 June 2009 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half year ended 30 June 2009 financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), and the *Corporations Act*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year 30 June 2009 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports 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 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 30 June 2009 and its performance for the six months ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001*. As the auditor of Ascent Pharmahealth Ltd and the entities it controlled during the half year ended 30 June 2009, 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.

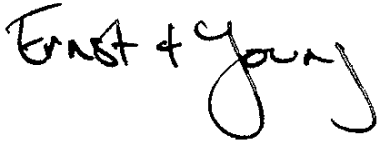
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' 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 30 June 2009 financial report of Ascent Pharmahealth Ltd is not in accordance with the *Corporations Act 2001*, including:

- i giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for six months ended on that date; and
- ii complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive, stylized script.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Ashley C Butler', written in a cursive style.

Ashley C Butler
Partner
Melbourne
27 August 2009