

ASX Release

Ascent's Full-Year Results Commentary

Solid sales and profit growth in both Australian and Asian operations

24 February 2011, Melbourne: Ascent Pharmahealth Ltd (ASX:APH) today reported its results for the full-year to 31 December 2010. The result showed a 26% increase in net sales and a 27% improvement in EBITDA compared to the full-year to 31 December 2009.

Result Highlights

- Net sales of \$132.3 million, up 26% on full-year to 31 December 2009 of \$105.1m
- EBITDA of \$17.7 million, up 27% on full-year to 31 December 2009 of \$14.0m
- NPBT of \$14.9 million, up 34% on full-year to 31 December 2009 of \$11.1m
- Positive operating cash flow of \$12.5 million, up 28% on the full-year to 31 December 2009 of \$9.8m

CEO Comments

“The Company has continued to build on a strong first half financial performance by reporting an EBITDA of \$17.7m for the 12 months ended 31 December 2010. This result is especially pleasing as aggressive competition continues to place pressure on gross profit margins in the Australian generic pharmaceutical market.”

Mr Bastas added that “Ascent continues to experience solid growth in both the Australian and Asian markets with an expansion of its sales force combined and a strong product pipeline, the Company remains well positioned to deliver sustainable profit growth.”

“The Australian generic pharmaceutical business will see further pressure on margins in 2011 as a result of PBS reforms, in particular via the pricing disclosure requirements on the F2 drug formulary (generic drugs) and the 1 February 2011 price decrease on all F2 pharmaceutical products.”

“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 to meet the challenges of government reform and increasing competition.”

Ascent Pharmahealth Limited

ABN 52 107 340 367

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

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Australian Operations

Ascent's Australian business operations achieved a 36% growth in net sales and a 6% gross profit growth against the previous corresponding period. The sales growth was influenced by the Pfizer distribution agreement which saw Ascent promote and distribute a range of Pfizer's branded "Established Products" throughout the year.

Ascent's Australian generic pharmaceutical sales delivered a 14% increase in sales when compared to the previous corresponding period.

The Company's consumer health and OTC products continued to deliver growth in Australian pharmacy sales contributing a 4% increase in sales on the previous corresponding period.

Asian Operations

The Company's Asian operations have delivered a 10% growth in sales and 15% gross profit growth when compared to the full year ended 31 December 2009.

The key business operations in the 7 countries in which Ascent Asia operates saw a growth in sales of products although there were a small number of products that were discontinued in government tenders in those markets. The Company did successfully register a number of new pharmaceuticals during the year into several of these markets and succeed in gaining some new tender contracts.

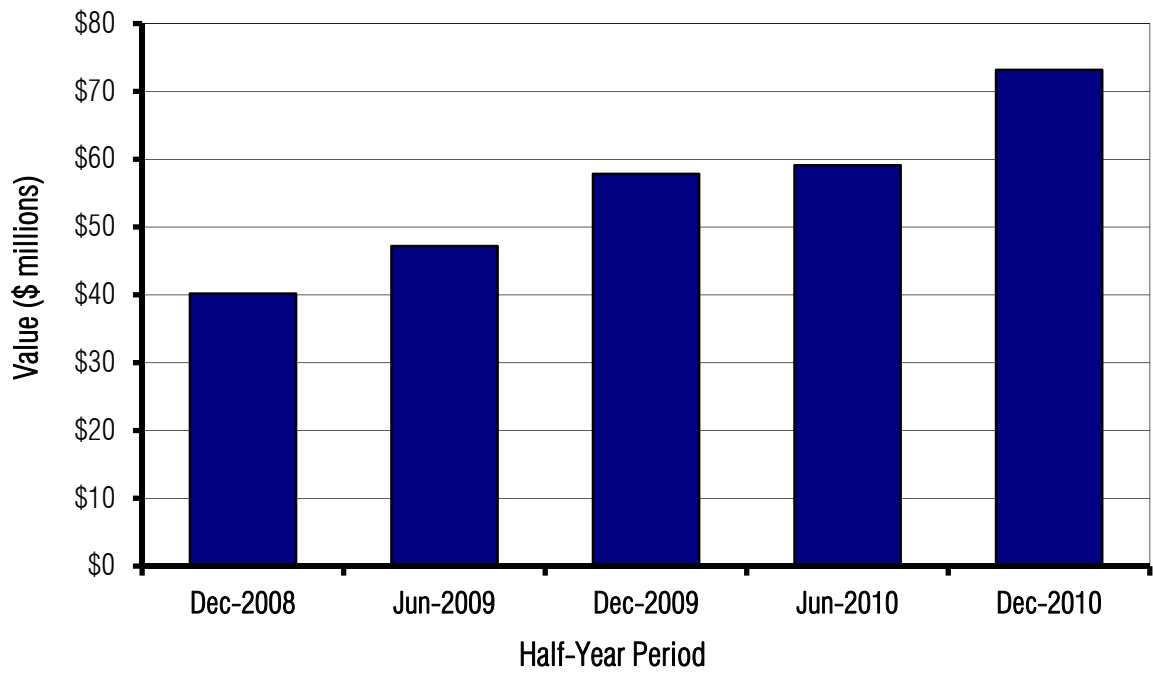
Non-Recurring Items CY2011

The Company estimates that revenues and expenses that account for \$1.8 million of the reported CY2010 EBITDA (NPAT \$1.4 million) will not recur during CY2011. These items relate to:

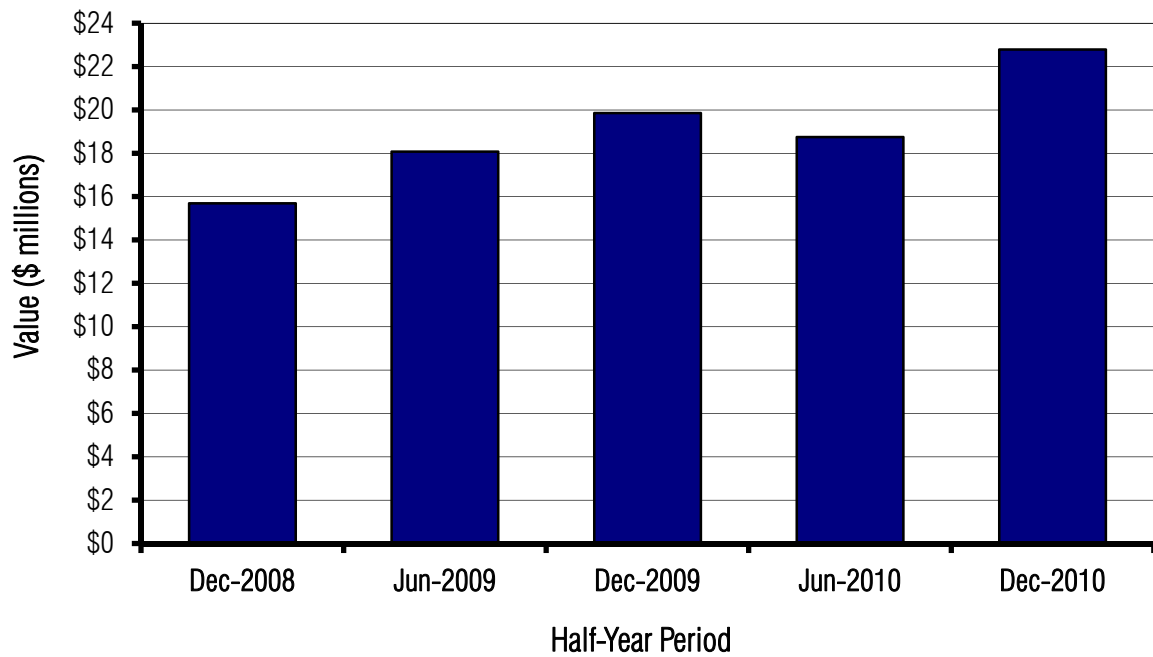
- **Closure of Sydney Warehouse:** During 2010 the company decided to close its Sydney warehouse in early 2011 and relocate to new facilities and provided for costs associated with this decision in CY2010 which will not be continuing in CY2011.
- **Loss of Tender in Singapore:** The Company has been advised that its Singapore subsidiary, Drug Houses of Australia Pte Ltd, was not successful in the renewal of its 12 month tender with the Singapore Government for an anti-hypertensive drug.
- **Renegotiation of the Pfizer Agreement:** The Company is currently renegotiating the terms of its agreement with Pfizer Australia and while it expects to continue the promotion and distribution of Pfizer products in its portfolio, the Company does not expect the profits associated with this service to continue.
- **Independent Board Committee Costs:** The Company has incurred advisor costs in CY2010 in connection with assisting the Independent Board Committee manage and assess the offer by Strides Arcolab Limited, via its wholly owned subsidiary, Linkace Investments Pty Ltd to acquire the minority shares in Ascent. (Further information: ASX announcement 23 December 2010)

Taking into account the above, the Company expects earnings growth in CY2011 to provide a result consistent with the CY2010 reported result.

Net Sales by half-year period



Gross Profit by half-year period



Company Outlook

Ascent will continue to meet the industry challenges head on, utilising new product launches, regional diversity and new channels to market to deliver profitable organic growth.

A significant challenge facing the Australian pharmaceutical market is the government's pending PBS price reforms proposed for April 2012, which will see pricing for generic pharmaceuticals cut by a minimum of 23% across the board. The Company expects the short term financial impact of these cuts to be partially offset by a number of new generic launches in the next few years.

Ascent continues to be well positioned in the competitive market of generic pharmaceuticals and consumer healthcare products in Australia and Asia, leveraging the solid market position and sales infrastructure that the Ascent group now has in the region.

Inquiries:

Dennis Bastas
Ascent Pharmahealth Ltd

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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 Ascent Pharmaceuticals, 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.

Ascent Pharmahealth Limited

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Attachment 1

Final Result Full-Year 2010

	Reported Results 31 Dec 2010 \$'000	Reported Results 31 Dec 2009 \$'000	% Growth
Net sales	\$132,308	\$105,053	26%
Cost of Sales	(\$90,774)	(\$67,123)	
Gross Profit	\$41,534	\$37,930	10%
Other Revenue	\$5,449	\$1,801	
Profit associates & JVs	403	-	
Operating Expenses	(\$29,664)	(\$25,727)	15%
EBITDA	\$17,722	\$14,004	27%
<i>% Revenue</i>	<i>13.4%</i>	<i>13.3%</i>	
Dep'n & Amortisation	(\$3,191)	(\$3,117)	
EBIT	\$14,531	\$10,887	33%
Net Interest	(\$403)	(\$580)	
Forex gain/(loss) on USD Loan Facility	\$793	\$812	
NPBT	\$14,921	\$11,119	34%
Tax Expense	(\$2,959)	(\$1,942)	
NPAT	\$11,962	\$9,177	30%
EPS (Cents)	4.8c	3.7c	



Name of entity: Ascent Pharmahealth Limited

ABN: 52 107 340 367

Release to the Market

Results and Preliminary Final Report (Appendix 4E)

For the year ended 31 December 2010

**For all media
enquiries:**

Dennis Bastas, CEO & Managing Director
+61 3 8677 6660

ASX Listing Rule 4.3A

1. Financial year ended		- Current Period	Twelve months to 31 December 2010		
		- Prior period	Twelve months to 31 December 2009		
2. Results for announcement to the market			%/ \$000's from previous period		A\$'000
2.1	Sales Revenues from ordinary activities	up	26%	to	\$132,308
2.2	Net Profit from ordinary activities after tax attributable to members	up	30%	to	\$11,962
2.3	Net profit for the period attributable to members	up	30%	to	\$11,962
2.4	Dividends (distributions)		Amount per security		Franked amount per security
	This period		Nil		n/a
	Previous corresponding period		Nil		n/a
2.5	The record date for determining entitlements to the dividends		n/a		
2.6	See separate announcement entitled <i>Commentary on Results</i> for explanation on the above information				
3.	Income Statement – see accompanying preliminary financial statements				
4.	Statement of financial position – see accompanying preliminary financial statements				
5.	Statement of cash flows – see accompanying preliminary financial statements				

6. Dividends

No dividends were declared during the year ended 31 December 2010.

7. Details of dividend or distribution reinvestment plans in operation

n/a

8. Net asset backing

	31 December 2010 cents	31 December 2009 cents
Net tangible assets per ordinary security	9.3	6.2

9. Control gained over entities during the financial year

n/a

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

	31 December 2010 \$'000	31 December 2009 \$'000
Share of profits of associates and joint ventures	403	-

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*.

13. Compliance Statement

The financial statements are in the process of being audited and are not likely to be subject to dispute or qualification.

Signed on behalf of the Board
Ascent Pharmahealth Limited:



Signed: Dennis Bastas
CEO & Managing Director

Date: 24 February 2011



Ascent Pharmahealth limited
ABN 52 107 340 367

Preliminary Final Report
For the year ended 31 December 2010

Income Statement

For the year ended 31 December 2010

	Notes	2010 \$'000	2009 \$'000
Sales of goods		132,308	105,053
Cost of sales		(90,774)	(67,123)
Gross profit		41,534	37,930
Other income	2	5,542	1,848
Sales and marketing expenses		(14,467)	(12,925)
Distribution expenses		(4,892)	(4,024)
Corporate affairs expenses		(2,846)	(2,356)
Regulatory affairs expenses		(2,414)	(1,923)
Occupancy expenses		(1,331)	(1,267)
Administration expenses		(6,309)	(6,025)
Finance costs	3	(184)	(139)
Loss on derivatives		(115)	-
Share of profits of associates and joint ventures	10	403	-
Profit before income tax expense		14,921	11,119
Income tax expense	4	(2,959)	(1,942)
Net profit for the period		11,962	9,177
Basic earnings per share (cents per share)		4.8	3.7
Diluted earnings per share (cents per share)		4.8	3.7

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

Statement of comprehensive income

For the year ended 31 December 2010

	2010	2009
	\$'000	\$'000
Net profit for the period	11,962	9,177
Other comprehensive income:		
Foreign currency translation	(1,645)	(8,237)
Income tax on items of other comprehensive income	-	-
Other comprehensive (loss) / income for the period , net of tax	<u>(1,645)</u>	<u>(8,237)</u>
Total comprehensive income for the period	<u>10,317</u>	<u>940</u>

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

Statement of financial position

As at 31 December 2010

	Notes	2010 \$'000	2009 \$'000
Current assets			
Cash and cash equivalents	6	4,949	7,653
Trade and other receivables	7	30,714	23,303
Inventories	8	20,943	15,692
Other current assets	9	3,695	1,096
Total current assets		60,301	47,744
Non-current assets			
Receivables		-	39
Investment in associates and joint ventures	10	403	-
Plant and equipment	11	2,787	3,301
Capital work in progress	12	4,768	-
Intangible assets and goodwill	13	87,651	88,963
Deferred tax assets		1,342	2,024
Total non-current assets		96,951	94,327
Total assets		157,252	142,071
Current liabilities			
Trade and other payables	14	26,417	21,609
Interest bearing loans and borrowings	15	4,833	3,551
Derivative financial instruments	16	115	-
Income tax payable		2,259	1,118
Provisions	17	938	391
Total current liabilities		34,562	26,669
Non-current liabilities			
Other payables	14	253	-
Interest bearing loans and borrowings	15	5,254	8,570
Deferred tax liabilities		2,208	2,281
Provisions	17	254	147
Total non-current liabilities		7,969	10,998
Total liabilities		42,531	37,667
Net assets		114,721	104,404
Equity			
Contributed equity	18	118,175	118,175
Reserves	19	(3,022)	1,140
Accumulated losses	20	(432)	(14,911)
Total equity		114,721	104,404

The statement of financial position is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity
For the year ended 31 December 2010

	Contributed equity \$000's	Accumulated losses \$'000	Other Reserves \$'000	Total \$'000
At 1 January 2010	118,175	(14,911)	1,140	104,404
Profit for the period	-	11,962	-	11,962
Other comprehensive (loss) / income	-	-	(1,645)	(1,645)
Total comprehensive income for the period	-	11,962	(1,645)	10,317
Transfer reserves to accumulated losses		2,517	(2,517)	-
Transactions with owners in their capacity as owners:	-	-	-	-
At 31 December 2010	118,175	(432)	(3,022)	114,721
At 1 January 2009	118,175	(24,088)	9,377	103,464
Profit for the period	-	9,177	-	9,177
Other comprehensive (loss) / income	-	-	(8,237)	(8,237)
Total comprehensive income for the period	-	9,177	(8,237)	940
Transactions with owners in their capacity as owners:	-	-	-	-
At 31 December 2009	118,175	(14,911)	1,140	104,404

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Statement of cash flows

For the year ended 31 December 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers		144,116	101,306
Payments to suppliers and employees		(130,080)	(89,967)
Interest received		93	47
Interest paid		(495)	(755)
Income taxes paid		(1,158)	(864)
Net cash flow from operating activities	22	12,476	9,767
Cash flows from investing activities			
Purchase of plant and equipment		(1,005)	(1,270)
Purchase of intangible assets		(2,223)	(1,020)
Purchase of capital works on progress		(3,484)	-
Payments for loans		(2,760)	-
Net (payment for) / repayment of loans to / from related entities		(2,915)	593
Acquisition of subsidiaries, net of cash acquired		-	(1,610)
Payments in respect of acquisitions in prior periods		(574)	(589)
Net cash flow used in investing activities		(12,961)	(3,896)
Cash flows from financing activities			
Proceeds from borrowings		286	3,690
Repayment of borrowings		(3,501)	(3,666)
Transaction costs paid		(711)	-
Net cash flows (used in) / from financing activities		(3,926)	24
Net increase / (decrease) in cash held		(4,411)	5,895
Foreign currency translation		(116)	(560)
Cash and cash equivalents at the beginning of the period		7,626	2,291
Cash and cash equivalents at the end of the period	6	3,099	7,626

The statement of cash flows is to be read in conjunction with the notes to the financial statements.

Notes to and forming part of the Preliminary final report
for the year ended 31 December 2010

Note 1. Basis of Preparation

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

	2010	2009
	\$'000	\$'000
Note 2. Other income		
Interest	93	47
Contracted services	4,926	1,443
Other	523	358
	5,542	1,848

Note 3. Expenses

(a) Finance costs		
Interest	496	627
Bank fees and charges	446	265
Bad Debts written off	-	38
Amortisation of borrowing costs	35	21
Foreign exchange (gain)/loss (USD loan)	(793)	(812)
	184	139
(b) Depreciation, amortisation and impairment		
Depreciation	1,246	1,091
Amortisation of customer relationships and contracts	1,068	1,249
Amortisation of dossier costs	707	607
Amortisation of supplier licence agreement	170	170
	3,191	3,117
Impairment of intangible assets included in Regulatory Affairs expenses	441	-
(c) Lease payments included in income statement		
Minimum lease payments – operating lease	1,249	1,345
	1,249	1,345
(d) Employee benefits expense		
Wages and salaries	13,342	12,743
Superannuation expense	986	905
Other employee benefits expense	1,286	1,433
	15,614	15,081

**Notes to and forming part of the preliminary final report
for the year ended 31 December 2010**

	2010	2009
	\$'000	\$'000
Note 4.		
Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per statutory income tax rate.		
Accounting profit before income tax	14,921	11,119
At the statutory income tax rate of AUD 30% (2009: 30%)	4,476	3,336
Foreign tax rate adjustment (Singapore:17%; 2009: 17%)	(1,127)	(1,013)
Capital allowances	(213)	(322)
Tax exemption	(41)	(68)
Prior period (overs) / unders	6	(25)
Non-deductible expenditure	(21)	34
Share of profits of associates and joint ventures	(121)	-
Income tax expense reported in income statement	<u>2,959</u>	<u>1,942</u>

Notes to and forming part of the Preliminary final report
for the year ended 31 December 2010

Note 5. Operating segments

Segment reporting for the year ended 31 December 2010

	Australian operations \$'000	Asian operations \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
Sales to external customers	87,034	45,274	-	-	132,308
Other income from external customers	5,414	-	35	-	5,449
Inter-segment sales	-	716	-	(716)	-
Total segment revenue	92,448	45,990	35	(716)	137,757
Segment net profit before tax	9,791	8,668	(3,538)	-	14,921
Tax (expense)/benefit	(2,884)	(1,178)	1,103	-	(2,959)
Net profit after tax	6,907	7,490	(2,435)	-	11,962
Interest revenue	56	36	1	-	93
Interest expense	-	(19)	(477)	-	(496)
Foreign exchange (gain)/loss (USD loan)	-	-	793	-	793
Depreciation	(835)	(397)	(14)	-	(1,246)
Amortisation	(876)	(1,069)	-	-	(1,945)
Impairment of intangible assets	(441)	-	-	-	(441)
Share of net profit of associates and joint ventures	403	-	-	-	403
Segment assets	109,064	42,723	5,465	-	157,252
Segment liabilities	(20,329)	(8,626)	(13,576)	-	(42,531)
Capital expenditure disclosure:					
Plant and equipment	(230)	(775)	-	-	(1,005)
Intangibles	(2,223)	-	-	-	(2,223)
Capital works in progress	-	-	(3,484)	-	(3,484)
Cash flow disclosure:					
Operating cash flow	7,955	7,051	(2,530)	-	12,476
Investing cash flow	(7,021)	(775)	(5,165)	-	(12,961)
Financing cash flow	-	286	(4,212)	-	(3,926)

Notes to and forming part of the Preliminary final report
for the year ended 31 December 2009

Note 5. Operating segments (continued)

Segment reporting for the year ended 31 December 2009

	Australian operations \$'000	Asian operations \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
Sales to external customers	63,766	41,287	-	-	105,053
Other income from external customers	1,504	297	-	-	1,801
Total segment revenue	65,270	41,584	-	-	106,854
Segment net profit before tax	6,865	7,797	(3,543)	-	11,119
Tax (expense)/benefit	(1,734)	(855)	647	-	(1,942)
Net profit after tax	5,131	6,942	(2,896)	-	9,177
Interest revenue	34	13	61	(61)	47
Interest expense	-	(55)	(627)	55	(627)
Foreign exchange (gain)/loss (USD loan)	-	-	812	-	812
Depreciation	(707)	(364)	(20)	-	(1,091)
Amortisation	(777)	(1,249)	-	-	(2,026)
Other non-cash expenses	-	-	-	6	6
Segment assets	97,225	42,977	1,869	-	142,071
Segment liabilities	(14,720)	(9,057)	(13,890)	-	(37,667)
Capital expenditure disclosure:					
Plant and equipment	(745)	(525)	-	-	(1,270)
Intangibles	(957)	-	(63)	-	(1,020)
Cash flow disclosure:					
Operating cash flow	5,992	5,697	(1,922)	-	9,767
Investing cash flow	(1,675)	(2,162)	(59)	-	(3,896)
Financing cash flow	-	(27)	51	-	24

Notes to and forming part of the preliminary final report
for the year ended 31 December 2010

	2010 \$'000	2009 \$'000
Note 6. Cash and cash equivalents		
Cash at bank and on hand	4,949	7,653
	4,949	7,653

For the purpose of the statement of cash flows, cash comprises the following:

Cash at bank and on hand	4,949	7,653
Bank overdraft (note 15)	(1,850)	(27)
	3,099	7,626

Note 7. Trade and other receivables – current

Trade receivables	27,392	22,993
Allowance for impairment loss	(264)	(125)
Receivables from related parties	-	16
Other receivables	3,586	419
	30,714	23,303

Note 8. Inventories

Inventories on hand and in transit	21,323	16,319
Provision for obsolete stock	(380)	(627)
Total inventories at lower of cost and net realisable value	20,943	15,692

Note 9. Other current assets

Deposits	281	608
Prepayments	499	488
Loans to associated entities and joint ventures	2,915	-
	3,695	1,096

Note 10. Investments in associates and joint ventures

Name of associated entity	Country of incorporation	Principal activity	Ownership interest	
			2010 %	2009 %
Central Healthcare Services Pty Ltd	Australia	Pharmaceuticals wholesaling	50	-
Eris Pharmaceuticals (Australia) Pty Ltd	Australia	Pharmaceuticals distribution	25	-

Notes to and forming part of the preliminary final report for the year ended 31 December 2010

Note 10. Investments in associates and joint ventures (continued)

Movement in the aggregate carrying amount of the Group's investment in associates

	2010
	\$'000
Investments acquired during the period	-
Share of profits after income tax	403
Balance at the end of the period	<u>403</u>

Aggregate financial information related to equity accounted investments

(a) Central Healthcare Services Pty Ltd

	2010
	\$'000
Extracts from associates' statement of financial position	
Current assets	28,588
Non-current assets	5,072
Current liabilities	29,833
Non-current liabilities	3,424
Net assets	<u>403</u>
Share of associates' net assets	<u>403</u>

Extracts from associates' statement of comprehensive income for the six months ended 31 December 2010

Revenue	73,279
Net profit	<u>403</u>
Share of associates, net profit	<u>403</u>

With effect from 1 July 2010 Ascent Pharmacy Services Pty Ltd ('APS'), a wholly owned subsidiary of Ascent Pharmahealth Limited, established a 50% joint interest in Central Healthcare Services Pty Ltd ('CHS') with the owners of Central Hospital Supplies, a Victorian based pharmaceutical wholesaling business providing services to hospitals and retail pharmacies. In addition since December 2009 Central Hospital Supplies have distributed Ascent's products to its Victorian customers.

CHS acquired the Central Hospital Supplies business on 1 July 2010. Under the sale agreements Ascent has guaranteed up to \$5.4 million of the purchase price should CHS not have sufficient funds to meet the payments as and when they fall due. As Ascent has an option to own 100% of CHS, it is equity accounting for 100% of the profit of CHS.

(b) Eris Pharmaceuticals (Australia) Pty Ltd

Eris Pharmaceuticals ("Eris") was founded in October 2009 with Ascent issued 25% of the equity. Eris is seeking to promote and sell generic pharmaceuticals sourced from Ascent in targeted European and Middle Eastern countries. At 31 December 2010 Eris had yet to record any sales.

Notes to and forming part of the preliminary final report for the year ended 31 December 2010

Note 11. Plant and Equipment

	2010 \$'000	2009 \$'000
<i>Gross Carrying amount</i>		
Balance at 1 January	6,585	6,839
Additions	1,183	1273
Disposals	(852)	(48)
Currency translation difference	(236)	(1479)
Balance at 31 December	<u>6,680</u>	<u>6,585</u>
<i>Accumulated Depreciation</i>		
Balance at 1 January	(3,284)	(3,328)
Depreciation expense	(1,246)	(1,091)
Disposals	482	45
Currency translation difference	155	1,090
Balance at 31 December	<u>(3,893)</u>	<u>(3,284)</u>
<i>Net Book Value</i>	<u>2,787</u>	<u>3,301</u>

Note 12. Capital Works in Progress

Computer software ⁽¹⁾	2,667	-
Dossier costs	1,292	-
Leasehold improvements	809	-
	<u>4,768</u>	<u>-</u>

Note 13. Intangibles

Dossier costs	6,889	5,494
Accumulated amortisation	(2,536)	(1,996)
	<u>4,353</u>	<u>3,498</u>
Supplier Licence Agreement	1,185	1,185
Accumulated amortisation	(762)	(593)
	<u>423</u>	<u>592</u>
Customers Relationships and contracts	5,845	5,679
Accumulated amortisation	(2,572)	(1,504)
Currency translation difference	(160)	166
	<u>3,113</u>	<u>4,341</u>
Trademarks	9,328	9,175
Currency translation difference	(95)	72
	<u>9,233</u>	<u>9,247</u>
Goodwill on consolidation	71,285	71,427
Currency translation difference	(756)	(142)
	<u>70,529</u>	<u>71,285</u>
Total	<u>87,651</u>	<u>88,963</u>

⁽¹⁾Computer software work in progress is subject to a legal dispute refer note 23(b).

**Notes to and forming part of the preliminary final report for
the year ended 31 December 2010**

	2010	2009
	\$'000	\$'000
Note 14. Trade and other payables		
<i>Current</i>		
Trade creditors and accruals	16,032	13,633
Payables to related parties	3,159	2,418
Other payables	6,947	5,036
Net GST payable	279	522
	26,417	21,609
<i>Non Current</i>		
Accruals	253	-
	253	-
Note 15. Interest bearing loans and borrowings		
<i>Current</i>		
Hire purchase	99	6
Bank overdraft	1,850	27
Accrued interest	1	2
Loans	2,883	3,516
	4,833	3,551
<i>Non Current</i>		
Hire purchase	141	-
Loans	5,113	8,570
	5,254	8,570
Note 16. Derivative financial instruments		
<i>Current liabilities</i>		
Forward currency contracts – cash flow hedges	115	-
	115	-
Note 17. Provisions		
<i>Current</i>		
Annual leave	453	391
Make-good	395	-
Onerous contract	90	-
	938	391
<i>Non Current</i>		
Long service leave	254	147
	254	147

Notes to and forming part of the preliminary final report for
the year ended 31 December 2010

Note 18. Contributed equity

	No of Shares	Value \$'000
Ordinary shares fully paid		
Balance at 31 December 2009	249,439,547	118,175
	-	-
Balance at 31 December 2010	<u>249,439,547</u>	<u>118,175</u>

Note 19. Reserves

	Employee equity benefits reserve \$'000	Loyalty program equity benefits reserve \$'000	Convertible notes reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
At 1 January 2009	<u>1,847</u>	<u>369</u>	<u>301</u>	<u>6,860</u>	<u>9,377</u>
Foreign currency translation	-	-	-	(8,237)	(8,237)
At 31 December 2009	<u>1,847</u>	<u>369</u>	<u>301</u>	<u>(1,377)</u>	<u>1,140</u>
Foreign currency translation	-	-	-	(1,645)	(1,645)
Transfer to accumulated losses	(1,847)	(369)	(301)	-	(2,517)
At 31 December 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,022)</u>	<u>(3,022)</u>

Notes to and forming part of the preliminary final
report for the year ended 31 December 2010

	\$'000
Note 20. Accumulated losses	
Balance at 1 January 2009	(24,088)
Net profit for the year	9,177
Balance at 31 December 2009	(14,911)
Net profit for the year	11,962
Transfer from reserves	2,517
Balance at 31 December 2010	(432)

December 2010 \$'000	December 2009 \$'000
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Note 21. Earnings Per Share

The following reflects the income and share data used in
the calculations of basic and diluted earnings per share:

Net profit	11,962	9,177
Earnings used in calculating basic and diluted earnings per share	<u>11,962</u>	<u>9,177</u>

Weighted average number of ordinary shares used in
calculating basic and diluted earnings per share

<i>Number of shares</i>	
249,439,547	249,439,547

Notes to and forming part of the preliminary final report
for the year ended 31 December 2010

Note 22. Notes to the statement of cash flows

Reconciliation of operating profit after income tax to net cash flows from operating activities	2010 \$'000	2009 \$'000
Net profit after income tax	11,962	9,177
<i>Adjustments for:</i>		
Depreciation of non-current assets	1,246	1,091
Amortisation of intangible assets	1,944	2,026
Impairment of intangible assets	441	-
Amortisation of borrowing costs	35	21
Net foreign exchange (gains)/losses	(879)	(893)
Transaction costs	711	-
Net fair value change on derivatives	115	-
Equity share of profits of associates and joint ventures	(403)	-
<i>Changes in net assets and liabilities</i>		
(Increase)/decrease in assets		
- Trade and other receivables	(4,549)	(2,821)
- Inventories	(5,462)	(1,819)
- Other current assets	(102)	(204)
- Other non-current assets	39	(39)
- Deferred tax assets	682	645
Increase/(decrease) in liabilities		
- Trade and other payables	4,008	641
- Payables to related entities	917	1,258
- Tax payable and deferred tax liabilities	1,118	789
- Provisions	653	(105)
Net cash from operating activities	12,476	9,767

**Notes to and forming part of the preliminary final report
for the year ended 31 December 2010**

Note 23. Contingent Liabilities

(a) Litigation with software vendor

Ascent Pharmahealth Limited ('Ascent') entered into contracts with a software vendor to supply the relevant software and install an ERP and CRM system. In August 2010 Ascent sent a letter of dispute to the vendor claiming that the vendor had not delivered the project on time or within budget and had failed to deliver the project and that Ascent must be reimbursed all fees paid to date, and would not be paying any further fees. In October 2010 the vendor issued a material breach notice to Ascent alleging failure to pay fees in accordance with the contracts. In November 2010 Ascent filed a writ and statement of claim in the Victorian Supreme Court against the vendor alleging failure to deliver the project. The matter is now scheduled for a mediation by the end of March 2011.

(b) Alleged patent violation

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 Ascent Pharmaceuticals Limited ('APL'), a subsidiary of Ascent Pharmahealth Limited, has been joined to proceedings against a generic manufacturer in relation to a generic pharmaceutical that APL 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 2011 and as at balance date the outcome remains uncertain. Accordingly, no liability has been recognised in the accounts at balance date.

Note 24. Subsequent events

Proposal to acquire the remaining shares in Ascent Pharmahealth Limited by Strides Arcolab Limited:

As announced on 23 December 2010, Ascent Pharmahealth Limited and Strides Arcolab Limited have entered into a Scheme Implementation Agreement under which Linkace Investments Pty Ltd, a company wholly owned by Strides, will acquire the outstanding minority shares in Ascent at a price of \$0.40 per share. The proposal remains subject to a number of conditions, including:

- Ascent shareholder approval of the Scheme;
- ASIC and Court approval of the Scheme; and
- Certain conditions, as set out in the SIA which was attached to the announcement.

As noted in the announcement, it is anticipated that Ascent shareholders will be sent Scheme Documentation in March 2011 containing the basis for the Ascent Board's recommendation and an Independent Expert's Report. Ascent Shareholders will then vote at a Scheme Meeting, expected to be held in April 2011. If the Scheme is approved by shareholders and the Court makes orders approving the Scheme and those orders are lodged with ASIC, the Scheme will become effective and Strides and Ascent will become bound to implement the Scheme. Should the Scheme be implemented, Strides will apply for Ascent to be delisted from the Official List of the ASX immediately after the implementation date.