

# ASX / Media Release

## Ascent's half-year results

*Market share growth in Australia and strong result from new Asian operations*

*Note: On 24 November 2008 Ascent gained approval from ASIC to change its financial year from 1 July to 30 June to 1 January to 31 December. This transition requires the Company to report a full-year result for the six-month period to 31 December 2008. Statutory reporting requirements mean that the company's financial report (Appendix 4E) must be reported with comparisons to the last financial reporting period previously audited, which was for the 12 months to 30 June 2008. In the commentary below the audited six-month period to 31 December 2007 has been used for comparison.*

**24 February 2009, Melbourne:** Ascent Pharmahealth Ltd (ASX:APH) today reported its results for the half-year period to 31 December 2008 delivering a 25 per cent increase in sales and a 61 per cent rise in EBITDA over the previous corresponding period (pcp).

### Half-Year Result Highlights

- Net sales of \$40.2 million, up 25% on the pcp of \$32.2 million
- EBITDA of \$4.1 million, up 61% on the pcp of \$2.6 million
  - EBITDA/sales was 10.3% against 7.9% in the pcp
- EBIT of \$2.3 million, up 33% on the pcp of \$1.7 million
- NPAT of \$1.5 million, up 14% on the pcp of \$1.3 million
  - Proforma NPAT of \$2.2 million (before non-recurring items) including full six-month result for the Asian operations for the period
- Positive operating cashflow of \$2.7 million for the six-month period

### CEO Comments

"This half-year period has seen Ascent take on the mantle of a multi-national pharmaceutical business. Since the completion of the Strides Asia acquisition on 1 August 2008 the company has successfully integrated the new Asian operations and is now looking to exploit growth opportunities across the whole group," said Mr Dennis Bastas, CEO and Managing Director of Ascent.

Mr Bastas added, "The sales and profit result for the period across the group was in line with expectations in light of the PBS reforms in Australia and a period of integration with the Asian businesses. We are now poised to deliver strong profit growth and expand the company's market share across the various business divisions and territories where we operate. Ascent's reach and capability has been strengthened and the business is focussed on profitable sales growth."

### Australian Operations

The overall net sales for the Australian operations reduced by 5 per cent for the period over the pcp with a gross margin reduction of 1 per cent. During the period the business discontinued the distribution of low-margin licensed product lines which when excluded from the previous corresponding period the result was a net sales growth of 6 per cent and gross margin growth of 2 per cent on the pcp.

Ascent's sales volume of generic pharmaceuticals increased by over 25 per cent on the pcp while it is estimated that the overall generic market grew by around 15 per cent in volume over the same period.

The key factor curtailing the Company's financial performance in this period was the government's PBS reforms which took effect from 1 August 2008. The reforms reduced the wholesale price of over 70 key generic pharmaceuticals by 25 per cent. This has had a detrimental impact on the profitability of Ascent's generic drugs and put pressure on Australia's generic medicines industry. Ascent's pricing must be aligned with market demands to maintain and build market share.

Ascent expects that the one-off effect of the PBS reforms will allow the industry to grow profitably from these new price levels. Increased generic substitution and the introduction of new generic medicines should continue growth and re-generate margins for Australian generic pharmaceutical companies.

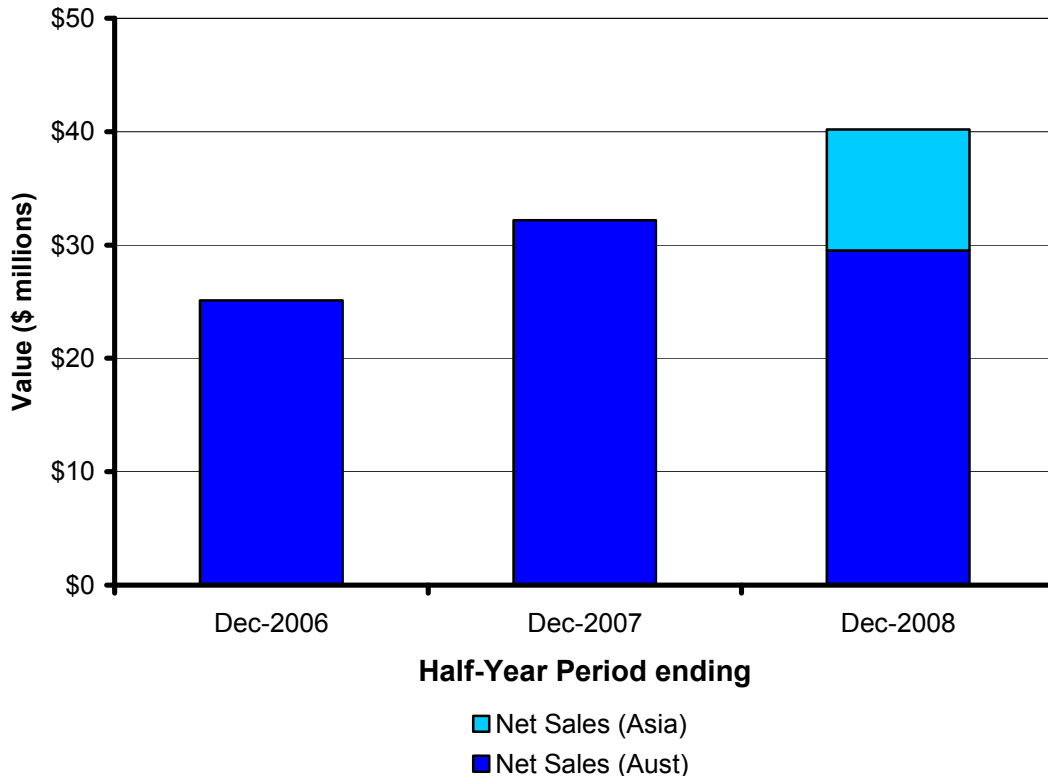
Operating expenses in the Australian operations increased by 6 per cent on the pcp as the Company increased marketing expenditure with the launch of a number of new skincare and product lines. The Company's skincare sales grew by 27 per cent on the pcp.

### Asian Operations

The Company's financial result for the six-month period only includes five months of Asian sales from 1 August 2008 when the Strides Asia acquisition was completed.

The Singapore based operations of Drug Houses of Australia grew by 17 per cent on a 12-month comparative basis for the year to 31 December 2008 while the Asian managed supplies to Australia experienced a decline for the period due to the PBS reforms.

### Net Sales Growth by corresponding half-year period



## Company Outlook

Ascent is 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 operations have assisted the business to achieve a healthy EBITDA-to-sales ratio of 10 per cent in a generic pharmaceutical market under significant margin pressure. An increase of 25 per cent on the pcp of 8%.

The Company will continue to direct its attention to cash management in the short to medium term. This period saw the operations deliver a positive operating cashflow result of \$2.7 million.

Over the period the Company successfully refinanced its Asian USD debt facility of US\$3.4 million at a very competitive rate.

Ascent will continue to focus on growth opportunities in Australia and Asia to build existing revenue streams and shareholder value.

### Enquiries:

Dennis Bastas

Ascent Pharmahealth Ltd

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### About Ascent Pharma:

Ascent Pharmahealth (ASX:APH) sells over 400 products in eight countries with annualised revenues of over \$100 million. 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 largest generic pharmaceutical companies and Drug Houses of Australia, Singapore's largest generic pharmaceutical company with products distributed in eight Asian countries. The company listed on the Australian Securities Exchange in June 2004. For more information visit [www.ascentpharma.com.au](http://www.ascentpharma.com.au).



# Attachment 1

## Final Result HY 2009

	Half-Year Results 31 Dec 2008 \$'000	* Proforma Half-Year Results 31 Dec 2008 \$'000 (before NRI's)	Half-Year Results 31 Dec 2007 \$'000	* Proforma % Growth	Notes (NRI's)
<b>Net sales</b>	<b>\$40,192</b>	<b>\$42,008</b>	<b>\$32,174</b>	<b>31%</b>	
Cost of Sales	( \$24,502 )	( \$25,491 )	( \$20,305 )		(i)
<b>Gross Profit</b>	<b>\$15,690</b>	<b>\$16,517</b>	<b>\$11,869</b>	<b>39%</b>	
Other revenue	\$191	\$191	\$134		
Operating Expenses	( \$11,758 )	( \$11,948 )	( \$9,450 )	26%	
<b>EBITDA</b>	<b>\$4,123</b>	<b>\$4,760</b>	<b>\$2,553</b>	<b>86%</b>	
<i>% Revenue</i>	<i>10%</i>	<i>11%</i>	<i>8%</i>		
Dep'n & Amortisation	( \$1,849 )	( \$2,049 )	( \$839 )		
<b>EBIT</b>	<b>\$2,274</b>	<b>\$2,711</b>	<b>\$1,714</b>	<b>58%</b>	
Interest Expense	( \$460 )	( \$480 )	( \$342 )		
Forex loss on Loan	( \$248 )	-	-		(ii)
<b>NPBT</b>	<b>\$1,566</b>	<b>\$2,231</b>	<b>\$1,372</b>	<b>63%</b>	
Tax Expense	( \$34 )	( \$45 )	( \$29 )		
<b>NPAT</b>	<b>\$1,532</b>	<b>\$2,186</b>	<b>\$1,343</b>	<b>63%</b>	

\* Proforma results include Strides Asia businesses for the full six-month period. Reported results only account for Asia businesses for the five-month period from the acquisition completion date of 1<sup>st</sup> August 2008.

### Notes - Non-recurring items (NRI's):

- (i) \$208k – One-off stock write-off related to cessation of supply agreement due to Strides Asia acquisition
- (ii) \$248k – One-off foreign exchange loss related to the refinancing of USD debt facility with the Strides Asia acquisition



**Name of entity: Ascent Pharmahealth Limited**  
(formerly Geneparm Australasia Limited)

**ABN: 52 107 340 367**

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***Release to the Market***

**Results and Preliminary Final Report (Appendix 4E)**

**For the six month period ended 31 December 2008**

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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. The transition to the new financial year requires the Company to report a full-year result for the six-month period of 1 July 2008 to 31 December 2008. Statutory reporting requirements mean that the company's financial report (Appendix 4E) must be reported with comparisons to the last financial reporting period previously audited, which was for the 12-month period to 30 June 2008.

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**For all media  
enquiries:**

Dennis Bastas, CEO & Managing Director  
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ASX Listing Rule 4.3A

1. Financial year ended		- Current Period	Six months to 31 December 2008		
		- Prior period	Twelve months to 30 June 2008		
2. Results for announcement to the market			%/ \$000's from previous period		A\$'000
2.1	Sales Revenues from continuing operations*	down	39 %	to	\$40,192
2.2	Net Profit from continuing operations*	down	\$2,651	to	\$1,532
2.3	Net profit for the period attributable to members*	down	\$2,651	to	\$1,532
2.4	Dividends (distributions)		Amount per security		Franked amount per security
	Final Dividend		Nil		Nil
	Previous corresponding period		\$0.005		Fully franked
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.	Balance sheet – see accompanying preliminary financial statements				
5.	Cash flow statement – see accompanying preliminary financial statements				

\* For the six month reporting period

**6. Dividends**

No dividends were declared for the six month period ended 31 December 2008.

**7. Details of dividend or distribution reinvestment plans in operation**

n/a

**8. Net asset backing**

	<b>31 December 2008 cents</b>	<b>30 June 2008 cents</b>
Net tangible assets per ordinary security	3.7	9.1

**9. Control gained over entities during the financial year**

On August 1 2008 the Company announced the completion of the share purchase agreement between the company, Strides Arcolab Limited (Strides) and Linkace Limited (a subsidiary of Strides), whereby the Company acquired the following wholly owned subsidiaries: Ascent Pharmahealth Asia Private Limited, Drug House of Australia (Asia) Private Limited, Strides Arcolab Malaysia Sdn Bhd, Strides Arcolab Hong Kong Limited and Strides Arcolab Sdn Bhd (Brunei).

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

n/a

**11. Subsequent events**

On 29 December 2008, Ascent Pharmahealth Asia Private Limited (APHA), a wholly owned subsidiary of APH Limited, entered into a conditional Share Sale and Purchase Agreement (SPA) to acquire 100% of the share capital of Green Cross Pharma Private Limited (Green Cross), a Singaporean based generic pharmaceuticals marketer and distributor for a maximum of S\$4.2million. The SPA was conditional on the results delivered by Green Cross for the year ending 31 December 2008, and APHA receiving bank approval for finance for part of the purchase price. The SPA also has a number of the standard conditions precedent related to a change of control of Green Cross, with consents to be delivered prior to completion. Completion is scheduled for early April 2009.

**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** (formerly Geneparm Australasia Limited):

A handwritten signature in black ink, appearing to be 'Dennis Bastas', written in a cursive style.

**Signed:** Dennis Bastas  
CEO & Managing Director

**Date:** 23 February 2009



**Ascent Pharmahealth limited**  
**ABN 52 107 340 367**

**(formerly Geneparm Australasia Limited)**

**Preliminary Final Report**  
**For the six month period ended 31 December 2008**

**Income Statement**

	Note	6 months to 31 December 2008 \$'000	12 months to 30 June 2008 \$'000
<b>Net sales of goods</b>		40,192	65,565
Cost of Sales		(24,502)	(40,804)
<b>Gross profit</b>		<b>15,690</b>	<b>24,761</b>
Other revenue	2	215	392
Sales and marketing expenses		(6,484)	(10,350)
Distribution expenses		(1,116)	(1,625)
Corporate Affairs expenses		(1,014)	(1,272)
Regulatory Affairs expenses		(696)	(1,297)
Occupancy expenses		(721)	(878)
Administration expenses		(3,456)	(3,055)
Other expenses	3	-	(325)
Finance costs	3	(852)	(1,227)
Profit before income tax expense		1,566	5,124
Income tax expense	4	(34)	(941)
<b>Net profit for the period</b>		<b>1,532</b>	<b>4,183</b>
Basic profit per share (cents per share)		0.66	3.0
Diluted profit per share (cents per share)		0.65	2.9

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

**Balance Sheet**

		<b>31 December</b>	<b>30 June</b>
		<b>2008</b>	<b>2008</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>			
Cash assets	5	2,681	2,145
Receivables	6	21,600	15,580
Inventories	7	14,191	11,388
Other	8	1,126	1,670
<b>Total current assets</b>		<b>39,598</b>	<b>30,783</b>
<b>Non-current assets</b>			
Plant and equipment	9	3,511	1,853
Intangibles	10	94,892	61,665
Deferred tax assets		-	1,172
<b>Total non-current assets</b>		<b>98,403</b>	<b>64,690</b>
<b>Total assets</b>		<b>138,001</b>	<b>95,473</b>
<b>Current liabilities</b>			
Trade and other payables	11	16,907	12,105
Interest bearing liabilities	12	5,297	2,027
Income tax payable		1,033	603
Provisions	13	457	437
<b>Total current liabilities</b>		<b>23,694</b>	<b>15,172</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	12	9,106	5,940
Deferred tax liabilities		99	-
Provisions	13	186	84
<b>Total non-current liabilities</b>		<b>9,391</b>	<b>6,024</b>
<b>Total liabilities</b>		<b>33,085</b>	<b>21,196</b>
<b>Net assets</b>		<b>104,916</b>	<b>74,277</b>
<b>Equity</b>			
Contributed equity	14	118,175	96,687
Reserves	15	10,829	2,517
Accumulated losses	16	(24,088)	(24,927)
<b>Total equity</b>		<b>104,916</b>	<b>74,277</b>

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

**Statement of Changes in Equity**

	<b>Issued Capital \$000's</b>	<b>Retained losses \$'000</b>	<b>Convert- ible Notes \$000's</b>	<b>Other Reserves \$'000</b>	<b>Total \$'000</b>
<b>At 30 June 2007</b>	<b>97,053</b>	<b>(29,110)</b>	<b>2,669</b>	<b>2,517</b>	<b>72,810</b>
Previous period profit after tax	-	4,183	-	-	<b>4,183</b>
Costs associated with share issues	(49)	-	-	-	<b>(49)</b>
Shares bought back	(356)	-	-	-	<b>(356)</b>
Share-based payments	-	-	-	18	<b>18</b>
Issue of share capital	39	-	-	-	<b>39</b>
Convertible notes repaid: equity value	-	-	(2,669)	301	<b>(2,368)</b>
<b>At 30 June 2008</b>	<b>96,687</b>	<b>(24,927)</b>	<b>-</b>	<b>2,517</b>	<b>74,277</b>
Current period profit after tax	-	1,532	-	-	<b>1,532</b>
Dividends paid	-	(693)	-	-	<b>(693)</b>
Foreign currency translation	-	-	-	8,312	<b>8,312</b>
Issue of share capital	21,488	-	-	-	<b>21,488</b>
<b>At 31 December 2008</b>	<b>118,175</b>	<b>(24,088)</b>	<b>-</b>	<b>10,829</b>	<b>104,916</b>

**Cash Flow Statement**

		<b>6 months to 31 December 2008 \$'000</b>	<b>12 months to 30 June 2008 \$'000</b>
	<b>Notes</b>		
<b>Cash flows from operating activities</b>			
Receipts from customers		34,772	69,077
Payments to suppliers and employees		(30,675)	(68,497)
Interest received		24	160
Interest paid		(379)	(1,387)
Income taxes paid		(1,061)	(51)
Net cash flow from/(used in) operating activities	<b>18</b>	<b>2,681</b>	<b>(698)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(470)	(1,019)
Payments for intangible assets		(543)	(884)
Costs associated with acquisition		(678)	(1,368)
Net cash flow used in investing activities		<b>(1,691)</b>	<b>(3,271)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of shares		-	38
Transaction costs from issue of shares and convertible notes		(684)	(49)
Shares bought back		-	(356)
Repayment of convertible notes		-	(15,000)
Net proceeds from borrowings		286	b8,000
Dividends paid		(693)	-
Net cash flows from financing activities		<b>(1,091)</b>	<b>(7,367)</b>
<b>Net increase / (decrease) in cash held</b>		<b>(101)</b>	<b>(11,336)</b>
Foreign currency translation		(229)	-
Cash at the beginning of the financial period		2,124	13,460
Cash from acquired business		497	-
<b>Cash at the end of the financial period</b>	<b>5</b>	<b>2,291</b>	<b>2,124</b>

*The Cash Flow Statement 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 period ending 31 December 2008

**Note 1. Basis of Preparation**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

	<b>6 months to 31 December 2008 \$'000</b>	<b>12 months to 30 June 2008 \$'000</b>
<b>Notes</b>		
 <b>Note 2. Other revenue</b>		
Interest	24	160
Other	191	232
	<u>215</u>	<u>392</u>
 <b>Note 3. Expenses</b>		
<b>(a) Other expenses</b>		
Shares issued to staff	-	35
Goodwill expense arising from recognition of deferred tax asset	-	290
	<u>-</u>	<u>325</u>
 <b>(b) Finance costs</b>		
Bank fees and charges	113	284
Interest	484	886
Bad Debts written off	7	57
Foreign exchange loss (USD loan)	248	-
	<u>852</u>	<u>1,227</u>
 <b>(c) Depreciation and amortisation</b>		
Depreciation – plant and equipment	536	577
Amortisation of customer relationships and contracts	430	-
Amortisation of dossier costs	798	460
Amortisation of supplier licence agreement	85	169
	<u>1,849</u>	<u>1,206</u>
 <b>(d) Lease payments included in income statement</b>		
Minimum lease payments – operating lease	817	1,214
	<u>817</u>	<u>1,214</u>
 <b>(e) Employee benefits expense</b>		
Wages and salaries	5,020	8,121
Defined contribution superannuation	407	678
Share-based payment expense	-	10
Other employee benefits expense	268	556
	<u>5,695</u>	<u>9,365</u>

Notes to and forming part of the preliminary final report  
for the period ending 31 December 2008

	6 months to 31 December 2008 \$'000	12 months to 30 June 2008 \$'000
<b>Note 4.</b>		
<b>Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per statutory income tax rate.</b>		
Accounting profit before income tax	1,566	5,124
At the statutory income tax rate of AUD 30%, SGD: 18%	315	1,537
Foreign exchange difference on translation	(165)	-
Equity based payments	-	16
Interest on convertible note	-	23
Gain on convertible note	-	(65)
Goodwill expense	-	87
Writeback of deferred tax liability	-	(290)
Prior period overs/ unders	(35)	(235)
Other	(81)	(132)
Income tax expense reported in income statement	<u>34</u>	<u>941</u>
<b>Note 5 Cash Assets</b>		
Cash at bank and on hand	<u>2,681</u>	<u>2,145</u>
	<b>2,681</b>	<b>2,145</b>
For the purpose of the Cash Flow statement, cash comprise the following at 31 December 2008.		
Cash at bank and on hand	2,681	2,145
Bank overdraft (note 12)	(390)	(21)
	<u>2,291</u>	<u>2,124</u>
<b>Note 6. Receivables – Current</b>		
Trade receivables	20,755	15,093
Allowance for doubtful debts	(107)	(56)
Other receivables	952	543
	<u>21,600</u>	<u>15,580</u>
<b>Note 7. Inventories</b>		
Inventories on hand and in transit	14,764	11,687
Provision for obsolete stock	(573)	(299)
	<u>14,191</u>	<u>11,388</u>

Notes to and forming part of the preliminary final  
report for the period ending 31 December 2008

	31 December 2008 \$'000	30 June 2008 \$'000
<b>Note 8. Other Current Assets</b>	<b>Notes</b>	
Deposits	464	80
Prepayments	621	374
Acquisition costs	41	1,216
	<b>1,126</b>	<b>1,670</b>
<b>Note 9. Plant and Equipment</b>		
<i>Gross Carrying amount</i>		
Balance at 1 July	3,628	2,609
Acquired on acquisition of subsidiary	6,717	-
Additions	470	1,019
Balance at 30 June	<b>10,815</b>	<b>3,628</b>
<i>Accumulated Depreciation</i>		
Balance at 1 July	(1,775)	(1,198)
Acquired on acquisition of subsidiary	(4,993)	-
Depreciation expense	(536)	(577)
Balance at 30 June	<b>(7,304)</b>	<b>(1,775)</b>
<i>Net Book Value</i>		
	<b>3,511</b>	<b>1,853</b>
<b>Note 10. Intangibles</b>		
Dossier costs	4,806	4,265
Accumulated amortisation	(1,389)	(1,092)
	<b>3,417</b>	<b>3,173</b>
Supplier Licence Agreement	1,185	1,185
Accumulated amortisation	(423)	(338)
	<b>762</b>	<b>847</b>
Customers Relationships and contracts	5,679	-
Accumulated amortisation	(430)	-
Currency translation difference	1,687	-
	<b>6,936</b>	<b>-</b>
Trademarks	8,859	6,400
Goodwill on consolidation	68,934	51,245
Currency translation difference	5,984	-
	<b>94,892</b>	<b>61,665</b>
<b>Note 11. Current Payables</b>		
Trade creditors and accruals	11,244	10,390
Other payables	5,119	1,046
Net GST payable	544	669
	<b>16,907</b>	<b>12,105</b>

Notes to and forming part of the preliminary final report  
for the period ending 31 December 2008

	31 December 2008 \$'000	30 June 2008 \$'000
Notes		
<b>Note 12. Interest Bearing Liabilities</b>		
<i>Current</i>		
Hire purchase	10	-
Bank overdraft	390	21
Accrued interest	131	28
Loans	4,766	1,978
	<u>5,297</u>	<u>2,027</u>
<i>Non Current</i>		
Loans	9,106	5,940
	<u>9,106</u>	<u>5,940</u>

**Note 13. Provisions**

<i>Current</i>		
Employee entitlements	457	437
	<u>457</u>	<u>437</u>
<i>Non Current</i>		
Employee entitlements	186	84
	<u>186</u>	<u>84</u>

**Note 14 Contributed Equity**

*Reconciliation of movement in contributed equity*

	31 December 2008		30 June 2008	
	No of Shares	Value A\$'000	No of Shares	Value A\$'000
<b>Ordinary shares fully paid</b>				
Balance at beginning of period	138,524,994	96,687	139,258,328	97,053
Shares issued via exercise of options	5,462	3	76,243	39
Costs associated with share issues	-	(697)	-	(49)
Share Buy back	-	-	(809,577)	(356)
Shares issued	110,909,091	22,182	-	-
	<u>249,439,547</u>	<u>118,175</u>	<u>138,524,994</u>	<u>96,687</u>

Notes to and forming part of the preliminary final  
report for the period ending 31 December 2008

	31 December 2008 \$'000	30 June 2008 \$'000
<b>Note 15. Reserves</b>	<b>Notes</b>	
Share Option Reserve		
Balance at beginning of financial period	2,216	2,198
Options expensed	-	18
Balance at end of financial period	<u>2,216</u>	<u>2,216</u>
Foreign currency translation reserve	8,312	-
Convertible notes reserve	301	301
	<u><b>10,829</b></u>	<u><b>2,517</b></u>
 <b>Note 16. Accumulated losses</b>		
Balance at beginning of financial period	(24,927)	(29,110)
Current period profit attributed to the operations of Ascent Pharmahealth Limited and its controlled entities	1,532	4,183
Dividends paid	(693)	-
<b>Accumulated losses at the end of the financial period</b>	<u><b>(24,088)</b></u>	<u><b>(24,927)</b></u>
 <b>Note 17. Earnings Per Share</b>		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net profit	1,565	4,183
Earnings used in calculating basic and diluted earnings per share	<u><b>1,565</b></u>	<u><b>4,183</b></u>
	<i>Number of shares</i>	
Weighted average number of ordinary shares used in calculating basic earnings per share	230,751,045	138,819,229
<b>Effect of dilutive securities:</b>		
Share options	3,965,681	4,520,805
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	234,716,726	143,340,034

Notes to and forming part of the preliminary final report  
for the period ending 31 December 2008

Note 18. Notes to the Statement of Cash Flows

Reconciliation of operating profit after income tax to net cash flows from operating activities	6 months to 31 December 2008 \$'000	12 months to 30 June 2008 \$'000
Net profit after income tax	1,532	4,183
<i>Adjustments for:</i>		
Depreciation and amortisation of non-current assets	536	577
Amortisation of intangible assets	1,313	629
Goodwill expense	-	290
Shares capital issued and share options expensed	-	18
Gain on settlement of convertible note	-	(216)
Increment in interest expense on convertible note	-	88
Interest on convertible notes	-	(501)
<i>Changes in net assets and liabilities</i>		
(Increase)/decrease in assets		
- Trade and other receivable	(2,909)	(3,285)
- Inventories	201	190
- Other assets	(773)	155
- Deferred tax assets	1,989	585
Increase/(decrease) in liabilities		
- Trade and other payables	2,684	(3,546)
- Tax payable and deferred tax liabilities	(2,014)	107
- Provisions	122	28
<b>Net cash (used in) / from operating activities</b>	<b>2,681</b>	<b>(698)</b>

Notes to and forming part of the preliminary final report  
for the period ending 31 December 2008

Note 19. Business combination

Acquisition of subsidiaries

On 1 August 2008, the Company acquired 100% of the voting shares of Ascent Pharmahealth Asia Private Limited (formerly Strides Singapore Pte Ltd), a company based in Singapore, comprising a pharmaceutical sales, distribution and manufacturing business with a head office in Singapore.

The total cost of the acquisition was \$24,109,590 and comprised an issue of equity instruments and costs directly attributable to the combination. The Company issued 110,909,091 shares to Linkace Limited (a subsidiary of Strides Arcolab Ltd, an entity listed on the Bombay Stock Exchange), in two tranches, the first of 83,730,909 shares on 1 August 2008 and the second of 27,178,182 on 22 September 2008, with a fair value of \$0.20 each, based on the quoted price of the shares of Ascent Pharmahealth Limited at the date of acquisition.

	Recognised on acquisition \$'000	Carrying value \$'000
Plant and equipment	1,294	1,294
Cash and cash equivalents	497	497
Trade receivables	2,949	2,949
Prepayments	269	269
Inventories	3,004	3,004
Intangibles	8,013	5,019
Goodwill	-	10,789
	<b>16,026</b>	<b>23,822</b>
Trade payables	1,147	1,147
Other payables	1,077	1,077
Interest bearing liabilities	4,241	4,241
Income tax payable	695	695
Deferred tax liability	1,836	133
	<b>8,996</b>	<b>7,293</b>
Fair value of identifiable net assets	7,030	
Goodwill arising on acquisition	17,689	
	<b>24,719</b>	
Cost of the combination:		
Shares issued at fair value	22,182	
Costs associated with the acquisition	2,537	
Total cost of the combination	<b>24,719</b>	