

ASX Release

Ascent's Half-Year Results Commentary *Solid sales and profit growth in both Australian and Asian operations*

20 August 2010, Melbourne: Ascent Pharmahealth Ltd (ASX:APH) today reported its results for the half-year period ending 30 June 2010. The result showed a 25% increase in net sales and a 47% improvement in EBITDA over the previous corresponding half-year period ending 30 June 2009.

Half-Year Result Highlights

Key points:

- Net sales of \$59.1 million, up 25% on the previous corresponding half-year period of \$47.2 million
- EBITDA of \$7.8 million, up 47% on the prior corresponding period of \$5.3 million
- NPBT of \$5.7 million, up 65% on the prior corresponding half-year period of \$3.4million
- Positive operating cash flow of \$6.4 million for the half-year period

CEO Comments

“The Company has delivered a solid first half result with EBITDA of \$7.8m. The result is especially pleasing as aggressive competition continues to place pressure on gross profit margins in the Australian generic market place. Ascent Asian business has again contributed significantly to the performance of the group with this segment reporting net profit after tax of \$3.7m for the half year. Ascent’s geographic diversity provides a level of earnings protection against the impact of regulatory changes, such as further PBS decreases, within individual markets.”

Mr Bastas added that “Ascent continues to be well positioned to deliver sustainable profitability in the competitive market of generic pharmaceuticals and consumer healthcare products in Australia and Asia. Ascent has a number of new generic medicine launches in the pipeline for both its Australian and Asian operations.”

“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.”

Australian Operations

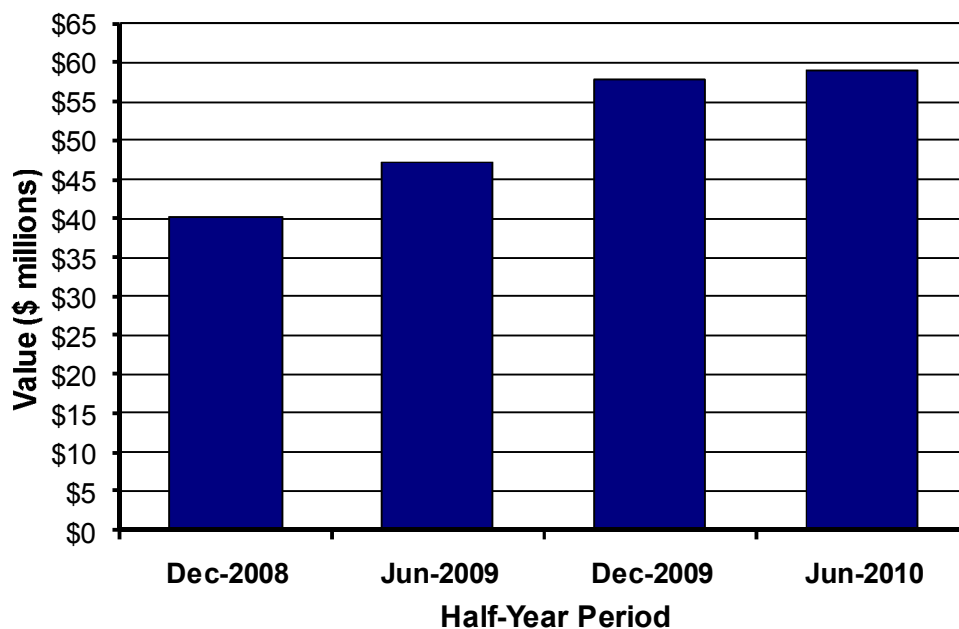
Ascent achieved a 10% growth in generic drug sales over the previous corresponding period. This resulted in a 3% increase in gross profit which is indicative of the significant margin pressure still being felt in the industry due to pricing reforms and competitive pressure.

Ascent's consumer health products continued to deliver growth and contributed a 3% increase in gross profit over the prior corresponding period.

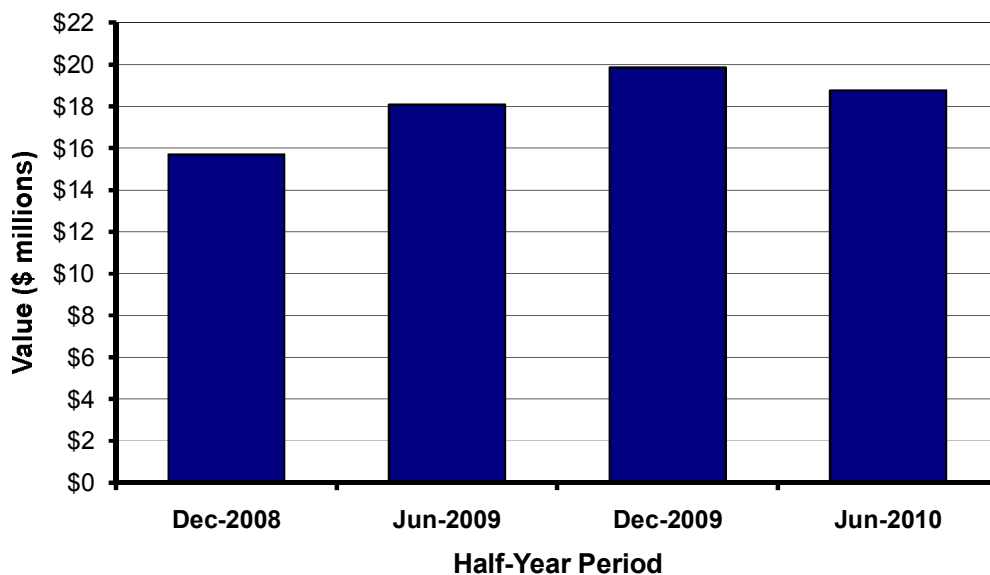
Asian Operations

The Company's Asian operations have delivered a 17% sales growth over the previous corresponding period. This result benefited from having a full six months of the Green Cross business which was acquired from 7 April 2009.

Net Sales by half-year period



Gross Profit by half-year period



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

ABN 52 107 340 367

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Attachment 1

Final Result Half-Year to 30 June 2010

	Half-Year Results 30 Jun 2010 \$'000	Half-Year Results 30 Jun 2009 \$'000	% Growth	Half-Year Results 31 Dec 2009 \$'000
Net sales	\$59,126	\$47,249	25%	\$57,804
Cost of Sales	(\$40,377)	(\$29,173)		(\$37,950)
Gross Profit	\$18,749	\$18,076	4%	\$19,854
Other revenue	\$2,474	\$124		\$1,677
Operating Expenses	(\$13,429)	(\$12,893)	4%	(\$12,834)
EBITDA	\$7,794	\$5,307	47%	\$8,697
<i>% Revenue</i>	<i>13%</i>	<i>11%</i>		<i>15%</i>
Dep'n & Amortisation	(\$1,632)	(\$1,624)		(\$1,493)
EBIT	\$6,162	\$3,683	67%	\$7,204
Net Interest	(\$219)	(\$351)		(\$229)
Forex gain/(loss) on USD Loan Facility	(\$263)	\$108		\$704
NPBT	\$5,680	\$3,440	65%	\$7,679
Tax Expense	(\$1,116)	(\$727)		(\$1,215)
NPAT	\$4,564	\$2,713	68%	\$6,464



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 2010

The information in the Appendix 4D should be read in conjunction with the most recent annual financial report.

**For all media
enquiries:**

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

ASX Listing Rule 4.2A

1. Half year ended		- Current Period	Six months to 30 June 2010		
		- Prior period	Six months to 30 June 2009		
	Results for announcement to the market	\$'000	% change from previous period		A\$'000
2.1	Sales Revenues from ordinary activities	Up \$ 11,877	25.1%	to	\$ 59,126
2.2	Profit from ordinary activities after tax attributable to members	Up \$1,851	68.2%	to	\$ 4,564
2.3	Net profit for the period attributable to members	Up \$1,851	68.2%	to	\$ 4,564
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 2010.

7. Details of dividend or distribution reinvestment plans in operation

n/a

8. Net asset backing

	30 June 2010 cents	31 December 2009 cents	30 June 2009 cents
Net tangible assets per ordinary security	7.7	6.2	4.0

9. Control gained over entities during the period

n/a

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

n/a

11. Subsequent events

See accompanying half-year financial report.

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: 20 August 2010



Ascent Pharmahealth limited
ABN 52 107 340 367

Condensed half-year financial report
For the six month period ended 30 June 2010

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Corporate information

Ascent Pharmahealth Limited

ABN: 52 107 340 367

Directors

R. Aston (Chairman) – to resign 31 August 2010

D. Bastas

T. J. R. O'Brien AM

W. J. Jenkins – to be appointed Chairman 1 September 2010

A. Kumar

T. S. Rangan

Company secretaries

A. Burgess

S. L. Blank

Registered office

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

Principal place of business

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South Melbourne, Victoria, 3205, Australia
Phone: 61 3 8677 6660

Share registry

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

Ascent Pharmahealth Limited's shares are listed on the Australian Securities 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.ascentpharmahealth.com

Directors' Report

Your directors submit their report for the half-year ended 30 June 2010.

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:	Director since:
Dr Roger Aston (Chairman) – to resign 31 August 2010	4 February 2008
Dennis Bastas (Managing Director and Chief Executive Officer)	10 December 2003
Thomas J. R. O'Brien AM	6 April 2004
Warren J. Jenkins – to be appointed Chairman from 1 September 2010	7 February 2007
Arun Kumar	31 July 2008
T. S. Rangan	16 November 2009

Review and results of operations

Sales revenue for the half-year was \$ 59,126,000 (2009: \$ 47,249,000), an increase of 25.1% on the prior corresponding period.

Consolidated net profit after tax from ordinary operations was \$ 4,564,000, an increase of 68.2% on the previous corresponding period.

Australian operations

Sales revenue from the Australian operations for the period was \$ 36,947,000, an increase of 30.4% on the previous corresponding period. Adjusting for sales of Pfizer products, which were not being sold in the prior corresponding period, sales have increased 9.4%. A distribution and service agreement was entered into with Pfizer in October 2009 to promote and sell Pfizer Established Product range of off-patent medicines to Australian pharmacies.

Other revenue for the half-year was \$2,474,000 (2009: \$150,000). Other revenue comprises revenue from contracted services to pharmacy and suppliers whose products are sold, distributed and promoted by Ascent at low margin.

Asian operations

Sales revenue from the Asian operations for the period was \$22,179,000, an increase of 17.3% on the previous corresponding period. The current period includes a full half-year of revenue from the Green Cross Pharma business acquired in April 2009.

Directors' Report (continued)

Rounding

The amounts contained in this report and in the 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.



Dennis Bastas

Managing Director and Chief Executive Officer

Melbourne, 20 August 2010



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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 2010, 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.

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 Butler', written in a cursive style.

Ashley Butler
Partner
20 August 2010

Income Statement

		6 months to 30 June 2010 \$'000	6 months to 30 June 2009 \$'000
	Notes		
Sales of goods		59,126	47,249
Cost of Sales		(40,377)	(29,173)
Gross profit		18,749	18,076
Other revenue	2	2,474	150
Sales and marketing expenses		(6,731)	(6,489)
Distribution expenses		(2,332)	(1,918)
Corporate affairs expenses		(1,275)	(1,072)
Regulatory affairs expenses		(892)	(1,041)
Occupancy expenses		(648)	(628)
Administration expenses		(2,936)	(3,188)
Other expenses	3 (a)	(42)	-
Finance costs	3 (b)	(687)	(450)
Profit before income tax		5,680	3,440
Income tax expense	5	(1,116)	(727)
Net profit for the period		4,564	2,713
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per share		1.8	1.1
Diluted earnings per share		1.8	1.1

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 2010 \$'000	6 months to 30 June 2009 \$'000
Net profit for the period	4,564	2,713
Other comprehensive income:		
Foreign currency translation differences for foreign operations	2,199	(5,558)
Income tax on items of other comprehensive income	-	-
Other comprehensive income for the period, net of tax	<u>2,199</u>	<u>(5,558)</u>
Total comprehensive income for the period	<u>6,763</u>	<u>(2,845)</u>

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

Statement of financial position

	Notes	30 June 2010 \$'000	31 December 2009 \$'000
Current assets			
Cash and cash equivalents	4	7,790	7,653
Trade and other receivables	7	24,290	23,303
Inventories	8	19,438	15,692
Derivative financial instruments		10	-
Other current assets	9	825	1,096
Total current assets		52,353	47,744
Non-current assets			
Prepayments non-current		39	39
Plant and equipment	10	3,358	3,301
Intangible assets and goodwill	11	91,936	88,963
Deferred tax assets		1,325	2,024
Total non-current assets		96,658	94,327
Total assets		149,011	142,071
Current liabilities			
Trade and other payables	12	22,941	21,609
Interest bearing loans and borrowings	13	3,116	3,551
Derivative financial instruments		10	-
Income tax payable		1,223	1,118
Provisions	14	466	391
Total current liabilities		27,756	26,669
Non-current liabilities			
Other payables	12	253	-
Interest bearing loans and borrowings	13	7,537	8,570
Deferred tax liabilities		2,105	2,281
Provisions	14	193	147
Total non-current liabilities		10,088	10,998
Total liabilities		37,844	37,667
Net assets		111,167	104,404
Equity			
Contributed equity	15	118,175	118,175
Reserves	16	822	(1,377)
Accumulated losses		(7,830)	(12,394)
Total equity		111,167	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

	Issued Capital \$000's	Accumulated losses \$'000	Other Reserves \$'000	Total \$'000
At 1 January 2009	118,175	(24,088)	9,377	103,464
Profit for the period	-	2,713	-	2,713
Other comprehensive income	-	-	(5,558)	(5,558)
Total comprehensive income for the half-year	-	2,713	(5,558)	(2,845)
Transactions with owners in their capacity as owners	-	-	-	-
At 30 June 2009	118,175	(21,375)	3,819	100,619
Profit for the period	-	6,464	-	6,464
Other comprehensive income	-	-	(2,679)	(2,679)
Total comprehensive income for the half-year	-	6,464	(2,679)	3,785
Transactions with owners in their capacity as owners	-	-	-	-
At 1 January 2010	118,175	(14,911)	1,140	104,404
Profit for the period	-	4,564	-	4,564
Other comprehensive income	-	-	2,199	2,199
Total comprehensive income for the half-year	-	4,564	2,199	6,763
Transactions with owners in their capacity as owners	-	-	-	-
At 30 June 2010	118,175	(10,347)	3,339	111,167

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

Statement of cash flows

		6 months to 30 June 2010 \$'000	6 months to 30 June 2009 \$'000
	Notes		
Cash flows from operating activities			
Receipts from customers		60,239	53,536
Payments to suppliers and employees		(52,694)	(49,167)
Interest received		33	-
Interest paid		(516)	(436)
Income taxes (paid)/received		(628)	(535)
Net cash flow from operating activities	17	<u>6,434</u>	<u>3,398</u>
Cash flows from investing activities			
Purchase of plant and equipment		(905)	(724)
Payments for intangible assets		(1,864)	(120)
Acquisition of subsidiaries, net of cash acquired		-	(1,490)
Payments in respect of acquisitions in prior periods		(574)	(184)
Net cash flow used in investing activities		<u>(3,343)</u>	<u>(2,518)</u>
Cash flows from financing activities			
Payments for loans provided		(352)	-
Payments for advances to related entities		(1,500)	-
Proceeds from borrowings		286	3,690
Repayment of borrowings		(1,824)	(1,662)
Net cash flows from/(used in) financing activities		<u>(3,363)</u>	<u>2,028</u>
Net increase / (decrease) in cash held		(272)	2,908
Net foreign exchange differences		436	397
Cash and cash equivalents at beginning of period		7,626	2,291
Cash and cash equivalents at end of period	4	<u>7,790</u>	<u>5,596</u>

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 Half-year financial report
for the period ending 30 June 2010****Note 1. Basis of Preparation and accounting policies**

This general purpose condensed financial report for the half-year ended 30 June 2010 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 2009 and considered together with any public announcements made by the Ascent Pharmahealth limited during the half-year ended 30 June 2010 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 2010 the Group has adopted the following standards and interpretations, mandatory for accounting periods beginning on or after 1 January 2010. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

- AASB 2009-7 *Amendments to Australian Accounting Standards* effective 1 July 2009

The amendments are editorial amendments to AASB 5, AASB 7, AASB 107, AASB 112, AASB 136, AASB 139 and AASB Interpretation 17 that have no major impact on the requirements of the amended pronouncements. The Group adopted this amendment as of 1 January 2010. The amendment had no impact on the application or wording of the Group's accounting policies.

The Group has not elected to early adopt any other new standards or amendments that are issued but not yet effective.

Derivative financial instruments:

From 1 January 2010 the Group has adopted a policy of entering into forward exchange contracts that are intended to offset in part the effect on the profit and loss from fluctuations in the relevant exchange rates from purchases of products designated in foreign currencies. The Group has decided not to designate these forward exchange contracts as hedge items.

The initial contracts have been written for the purchase of EURO and the sale of AUD and for the purchase of EURO and the sale of SGD.

The forward exchange contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*.

AASB 139 requires that derivative financial instruments that are not designated as hedges are accounted for "at fair value through profit or loss". The derivative financial instrument is initially recognised at its fair value on the date the transaction is entered into. Transaction costs cannot be included. The derivative financial instrument is subsequently remeasured at its fair value at each balance date and any difference is taken to the profit and loss.

Notes to and forming part of the half-year financial report
for the period ending 30 June 2010

	6 months to 30 June 2010 \$'000	6 months to 30 June 2009 \$'000
Note 2. Revenue		
(a) Other revenue		
Interest	33	26
Contracted services	2,233	-
Other	208	124
	<u>2,474</u>	<u>150</u>
Note 3. Expenses		
(a) Other expenses		
Foreign exchange losses	42	-
	<u>42</u>	<u>-</u>
(b) Finance costs		
Bank fees and charges	157	143
Interest	252	367
Bad debts written off	-	38
Borrowing costs	15	10
Foreign exchange (gain)/loss (USD loan)	263	(108)
	<u>687</u>	<u>450</u>
(c) Depreciation and amortisation		
Depreciation – plant and equipment	669	529
Amortisation of customer relationships and contracts	535	713
Amortisation of dossier costs	343	297
Amortisation of supplier licence agreement	85	85
	<u>1,632</u>	<u>1,624</u>
(d) Lease payments included in income statement		
Minimum lease payments – operating lease	613	758
	<u>613</u>	<u>758</u>
(e) Employee benefits expense		
Wages and salaries	6,413	6,384
Superannuation expense	460	447
Other employee benefits expense	638	780
	<u>7,511</u>	<u>7,611</u>

**Notes to and forming part of the half-year financial report
for the period ending 30 June 2010**

	30 June 2010 \$'000	31 December 2009 \$'000
Note 4. Cash and cash equivalents		
For the purpose of the Statement of Cash Flows, cash comprised the following:		
Cash at bank and on hand	7,790	7,653
Bank overdraft (note 13)	-	(27)
	<u>7,790</u>	<u>7,626</u>

	6 months to 30 June 2010 \$'000	6 months to 30 June 2009 \$'000
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	5,680	3,440
At the statutory income tax rate of 30%	1,704	1,032
Tax differential on foreign entities (Singapore:17%)	(570)	(486)
Capital allowances	(138)	(15)
Tax exemption	(21)	(37)
Equity based payments	-	-
Prior period (overs)/ unders	-	216
Non-deductible expenditure	141	17
Aggregate income tax expense	<u>1,116</u>	<u>727</u>

**Notes to and forming part of the half-year financial report
for the period ending 30 June 2010****Note 6. Operating Segments****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.

Accounting policies and inter-entity transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 1 to the accounts and in the prior period except as detailed below:

- **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 2010

Note 6. Segment reporting for the half year ended 30 June 2010 (continued)

	Australian operations \$'000	Asian operations \$'000	Unallocated \$'000	Eliminations \$'000	Total \$'000
Sales to external customers	36,947	22,179	-	-	59,126
Other revenue from external customers	2,405	36	-	-	2,441
Total segment revenue	39,352	22,215	-	-	61,567
Segment net profit before tax	3,586	4,389	(2,295)	-	5,680
Tax (expense)/benefit	(1,116)	(682)	682	-	(1,116)
Net profit after tax	2,470	3,707	(1,613)	-	4,564
Profit and loss disclosure:					
Interest revenue	26	7	-	-	33
Interest expense	-	(8)	(244)	-	(252)
Depreciation	(467)	(194)	(8)	-	(669)
Amortisation	(428)	(535)	-	-	(963)
Segment assets	97,313	47,334	4,364	-	149,011
Segment liabilities	(17,129)	(9,244)	(11,471)	-	(37,844)
Capital expenditure disclosure:					
Plant and equipment	(165)	(740)	-	-	(905)
Intangibles	(692)	-	(1,172)	-	(1,864)

Notes to and forming part of the half-year financial report
for the period ending 30 June 2010

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

	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 2010**

	30 June 2010 \$'000	31 December 2009 \$'000
Note 7. Trade and other receivables – Current		
Trade receivables	22,682	22,993
Allowance for impairment loss	(139)	(125)
Advances to related parties	1,563	16
Other receivables	184	419
	24,290	23,303
Note 8. Inventories		
Finished goods on hand and in transit	19,867	16,319
Provision for obsolete stock	(429)	(627)
	19,438	15,692
Note 9. Other current assets		
Deposits	537	608
Prepayments	163	488
Loans	125	-
	825	1,096
Note 10. Plant and equipment		
Plant and equipment, at cost	6,210	5,243
Accumulated depreciation	(3,197)	(2,496)
	3,013	2,747
Leasehold improvements, at cost	1,134	1,342
Accumulated depreciation	(789)	(788)
	345	554
Total	3,358	3,301

Acquisitions and disposals:

During the half-year ended 30 June 2010, the Group acquired assets with a cost of \$ 907,813 (2009: \$845,705).

Assets with a cost of \$ 34,929 were disposed of by the Group during the half-year ended 30 June 2010 (2009: \$ 30,544l)

Notes to and forming part of the half-year financial report
for the period ending 30 June 2010

	30 June 2010	31 December 2009
Notes	\$'000	\$'000
Note 11. Intangible assets and goodwill		
Dossier costs	6,145	5,494
Accumulated amortisation	(2,340)	(1,996)
	<u>3,805</u>	<u>3,498</u>
Supplier Licence Agreement	1,185	1,185
Accumulated amortisation	(677)	(593)
	<u>508</u>	<u>592</u>
Customers Relationships and contracts	6,201	5,845
Accumulated amortisation	(2,202)	(1,504)
	<u>3,999</u>	<u>4,341</u>
Trademarks	9,466	9,247
Goodwill on consolidation	72,503	71,285
Computer software assets under construction	1,655	-
Total	<u>91,936</u>	<u>88,963</u>

The movement in currency translation difference for the period attributable to intangible assets and goodwill is \$1,565,415 (June 2009: \$5,180,000)

Acquisitions and disposals:

During the half-year ended 30 June 2010, the Group acquired assets with a cost of \$ 2,411,720 (2009: \$ 59,862).

Assets with a cost of \$ 40,718 were disposed of by the Group during the half-year ended 30 June 2010 (2009: \$ Nil).

Note 12. Trade and other payables**Current:**

Trade creditors and accruals		13,863	13,633
Payables to related parties	20	2,923	2,418
Other payables		5,711	5,036
Net GST payable		444	522
		<u>22,941</u>	<u>21,609</u>

Non-current

Other payables		<u>253</u>	<u>-</u>
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Notes to and forming part of the half-year financial report
for the period ending 30 June 2010

	30 June 2010 \$'000	31 December 2009 \$'000
Notes		

Note 13. Interest bearing loans and borrowings*Current*

Hire purchase	56	6
Bank overdraft	-	270
Accrued interest	1	2
Loans	3,059	3,516
	<u>3,116</u>	<u>3,551</u>

Non-current

Hire purchase	258	-
Loans	7,279	8,570
	<u>7,537</u>	<u>8,570</u>

Note 14. Provisions*Current*

Employee entitlements	466	391
	<u>466</u>	<u>391</u>

Non Current

Employee entitlements	193	147
	<u>193</u>	<u>147</u>

Note 15. Contributed Equity*Ordinary shares*

Issued and fully paid	118,175	118,175
	<u>118,175</u>	<u>118,175</u>

Reconciliation of movement in contributed equity

	No of shares	Value A\$'000
Balance at 1 January 2010	249,439,547	118,175
Balance at 30 June 2010	<u>249,439,547</u>	<u>118,175</u>

**Notes to and forming part of the half-year financial report
for the period ending 30 June 2010**

Note 16. Reserves

	Foreign currency translation reserve \$'000	Total \$'000
At 1 January 2009	6,860	6,860
Foreign currency translation differences for foreign operations	(5,558)	(5,558)
At 30 June 2009	1,302	1,302
Foreign currency translation differences for foreign operations	(2,679)	(2,679)
At 1 January 2010	(1,377)	(1,377)
Foreign currency translation differences for foreign operations	2,199	2,199
At 30 June 2010	822	822

**Notes to and forming part of the half-year financial report
for the period ending 30 June 2010**

	6 months to 30 June 2010 \$'000	6 months to 30 June 2009 \$'000
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Note 17. Notes to the Statement of cash flows

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

Net profit after tax	4,564	2,713
<i>Adjustments for:</i>		
Depreciation of non-current assets	669	529
Amortisation of intangible assets	963	1,095
Amortisation of borrowing costs	15	10
Net foreign exchange (gains) / losses	305	(112)
<i>Changes in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	696	1,821
(Increase)/decrease in inventories	(3,424)	(1,881)
(Increase)/decrease in other current assets	849	366
(Increase)/decrease in other non-current assets	-	(60)
(Increase)/decrease in deferred tax assets	400	(86)
Increase/(decrease) in trade and other payables	847	(2,776)
Increase/(decrease) in payables to related parties	340	1,597
Increase/(decrease) in tax payable and deferred tax liabilities	88	279
Increase/(decrease) in provisions	122	(97)
Net cash from operating activities	6,434	3,398

Note 18. Commitments and contingencies

During the period the Group has entered into the following commitments that are in addition to the commitments reported in the most recent annual financial report:

Operating leases non-cancellable

Minimum lease payments:	
Not later than 1 year	217
Later than 1 but not later than 5 years	2,797
Later than 5 years	4,174
	<u>7,188</u>

Software and support contracts

Minimum payments:	
Not later than 1 year	649
Later than 1 but not later than 5 years	265
	<u>914</u>

**Notes to and forming part of the half-year financial report
for the period ending 30 June 2010****Note 18. Commitments and contingencies (continued)****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 reporting 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 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. These proceedings first commenced in 2009 and are consistent with the prior year end.

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 reporting date the outcome remains uncertain. Accordingly, no liability has been recognised in the accounts at reporting date.

Note 19. Subsequent events**Proposal to acquire the remaining shares in Ascent Pharmahealth Limited by Strides Arcolab Limited:**

As stated in the update to shareholders announced on 18 August 2010, discussions are continuing with Strides Arcolab Limited in relation to a scheme of arrangement to acquire the remaining minority shares in APH at a price of \$0.35 per share. The proposal remains subject to:

- Strides securing binding finance arrangements in respect of the transaction;
- Formal transaction documents being entered into by APH and Strides;
- Receipt by the Independent Board Committee of a favourable independent expert’s report;
- Independent shareholder vote; and
- No receipt by APH of a superior proposal.

As noted in the update, it is not anticipated that a transaction will be implemented prior to October. Furthermore, it should not be assumed that the negotiations with Strides will result in a completed transaction.

Note 20. Related party transactions

Transactions with related parties

During the half-year ended 30 June 2010 Ascent Pharmahealth Asia Private Limited and Drug Houses of Australia (Asia) Pte Ltd, subsidiaries of Ascent Pharmahealth Limited, purchased inventory from the ultimate parent company, Strides Arcolab Limited and its subsidiary Quantum Life Sciences Pvt Ltd, in the sum of \$ 8,144,679 (6 months to 30 June 2009: \$ 5,521,646). The balance owing to Strides Arcolab Limited at 30 June 2010 was \$ 2,405,240 (31 December 2009: \$ 1,969,132) and the balance owing to Quantum Life Sciences Pvt Ltd was \$517,268.

At 30 June 2010 Ascent Pharmahealth Asia Private Limited has a receivable from Linkace Limited, a subsidiary of Strides Arcolab Limited, of \$62,465 (31 December 2009: \$58,885).

During the half-year ended 30 June 2010 Ascent Pharmahealth Limited advanced Strides Arcolab Limited \$1,500,000 for intellectual property product development costs.

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.

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 2010 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
- (c) This declaration has been made after receiving the declaration required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the half-year ended 30 June 2010.

On behalf of the board



Dennis Bastas

Managing Director and Chief Executive Officer

Melbourne, 20 August 2010



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To the members of Ascent Pharmahealth Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ascent Pharmahealth Limited, which comprises the condensed statement of financial position as at 30 June 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of 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 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Ascent Pharmahealth Limited and the entities it controlled during the half-year, 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 financial report of Ascent Pharmahealth Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the half-year ended on that date; and



b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read "Ashley Butler". The signature is fluid and cursive, with a large initial "A" and "B".

Ashley Butler
Partner
Melbourne
20 August 2010