SLIDE 1

Good Afternoon

Today marks the first anniversary of my appointment to the role of Group Leader at API and it is my pleasure to present to you a reflection on the year just gone by.

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When I sit back and assess the year, I can simply couch the 12 months as a period marked by change, integration and structural reconfiguration. All of which was brought about by the acquisition of New Price Retail. This moment in API's corporate history heralded not only a new direction, but also a strategic review of the business in light of the so-called 'retail led' strategy annunciated.

The strategy articulated was, and is focused on the supply chain elements of the business. Whilst the thrust of the activity has been on the consumer end and how to differentiate the retail offer, there has been an equal and as demanding focus on the systems and capability of the organization. All of this necessary and vital particularly when one considers the structural and regulatory change the industry will face in the months ahead.

The first 6 months of the year was taken up by an extensive integration process, which was designed to establish a shared service structure that would enable the business to operate on a lower cost base. The consequential organization design was intended to leverage off the existing capability whilst looking for efficiencies. All of this achieved under the mantra of 'one organization – one goal'.

A key to the organization design was to remove the unnecessary hierarchy and bring the various business units together under one strategic banner. To this extent a new logo and culture was established in recognition of a need to become more nimble and responsive to market conditions.

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Beyond creating a platform for organizational change we have acted decisively on businesses that were not performing and on those that were not core to our strategy. As has been documented, we resolved a future direction for the HSA> business by forming a JV with ABN AMBRO – this move has given us the opportunity to extract value for shareholders. Furthermore, we sold the Halas dental distribution business when it became evident that an industry consolidation event was essential. During the year we also closed the manufacturing plant at Kingsgrove due to the inherent problems with product validation and the restraints applied by the TGA. Most of the technology and capability is being sent to Auckland and it is our intention to be back in full production by the first quarter of 2006.

Finally, in response to an ageing population who will have a higher dependency on mobility and independent living we successfully acquired an 50% equity interest in the MLE business. These activities were necessary to build a foundation on which our strategic objectives could be delivered. Whilst they have been distracting, our newly created management team has begun the task of implementing on our growth objectives.

These structural changes resulted in an improved financial position notwithstanding the challenges of redundancy and costs of integration. Whilst we are satisfied with the gains made, there is a sense of realism in what still has to be achieved. We understand that there is significant opportunity for continued improvement and note that this is the first year of our planned 3-year turnaround.

In the last months of the financial year with the cultural platform in development, the structural changes made and the integration complete, the focus shifted to operational delivery and execution – the position we find ourselves in today.

SO in summary, the year has been one of building the foundations of a new business that is now multi faceted, more risk resilient and therefore more sustainable. This effort rewarded in June by a listing in the ASX 200 and consequently a broader spread of investor interest. The best way to describe where the business is at currently, is that it is evolving in response to the evolution taking place in the industry.

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During the course of my presentation, it is my intention to briefly reaffirm our strategy, thereafter provide a summary of the financial results, which have already been published in various forms, so I will not dwell on these in much detail.

I will then spend some time looking at each of the trading businesses pointing the gains made and the challenges ahead, all of which will context the guidance for this current financial year.

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Firstly to the strategy – this slide now reflects in simple terms our current focus.

SLIDE 6

Within the retail division – we are building a multi brand portfolio of stores in the pharmacy, health and lifestyle categories. Our view is that the consumer will determine the future of pharmacy and therefore we need to have value equations that meet the various needs of those consumers. The brands of Priceline, Souls, Chemworld and Pharmacists Advice will be appropriately positioned to ensure brand equity is maintained and that the offer is sufficiently differentiated to protect the pharmacist from intensified competition.

Our distribution business will continue it's drive to lower cost and efficiency – necessitated by the impending changes to the wholesaler margin. I will talk more about this in due course. We are committing significant resources to the development and implementation of a new technology platform designed to deliver supply chain efficiency. Furthermore, a new market offer is being developed for our independent customers who will be at the sharp end of the impending industry changes.

Finally our manufacturing direction will be determined by contract manufacturing in niche categories where we can effectively compete and the private label programs which are being developed for each brand.

The organisation will be underpinned by a shared service structure designed to deliver service to the multiple businesses. This work still continues as we bed down the locality and structures of some of the merchandise capability. This structure gives us the ability to bolt on acquisitions without an incremental cost in resource.

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As indicated in my opening I will briefly touch on the financial results for the year-end April 2005.

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Off a revenue growth of 16.3%, earnings for API grew by 61%. As has already been pointed out by Peter, the introduction of the NPR results for a seven-month period influenced the result. It is important to note that the 7 months reported for NPR represent the bulk of the earnings in the retail calendar. This year will be no different. The results were influenced by the losses out of manufacturing and the integration costs. Importantly the core wholesale business held its margin in a competitive market place. The full detail of our results have been published in the annual financial report for your full exploration.

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I mentioned the weighting of the calendar from a retail perspective and highlight this graphically on this slide. My motivation is to avoid the obvious mistake of recognising the half year result as 50% of the total. Historically, the NPR business generated around 60% of its earnings in the period October to January.

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In order to align shareholder expectations with management initiative we have introduced a performance bonus structure for all key executives based on a number of metrics, these include:

- Total Shareholder Return
- EPS Growth
- Economic Performance

It is our intention to report against these metrics in all future presentations. This hopefully should remove any concern about management rewards relative to company performance. In the last round of annualised increases the company averaged a 2.5% increase including senior management.

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Turning now to the overview of each of the trading businesses. I will include a comment about the year gone by and what was achieved.

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For the pharmacy distribution business – which to date has been the core of our activity, we saw the business grow in absolute and market share terms to the point where we assumed a leading position in the market. A new executive team was appointed and have been intensely focussed on costs to ensure that the margins were held. Despite the intensity of competition coming from short line wholesalers and the generic suppliers the business held its own.

The year has been marked by the implementation of a new technology platform, which has been designed to centralise replenishment and deal with efficiency of stock management. This rollout continues albeit at a slower pace than anticipated, we expect completion now to be in early 2006.

The distribution team is focussed on delivering the $30m in working capital improvements identified during the due diligence process and have already introduced a number of operational changes. We expect further operational structure and trading term changes dependent on the Govt/Guild agreement outcome.

Finally the buying centralisation process has begun and will deliver the buying synergies identified, albeit by the end of 2007, delayed due to the technology implementation issues addressed previously. In broad terms we are satisfied with the early gains made in this division but are under no illusion about the challenge ahead.

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Significantly, we recognise the importance of our independent pharmacists who have had to deal with increased competition, margin erosion, increased operational costs and volume reduction. To this extent we have been developing a complete offer that will assist our customers with their challenges. This offer will encompass not only an enhanced distribution service, but also a suite of services that will enable the independent pharmacists to compete effectively. The program has been 12 months in the making due to its enormity and is due to be released in the 1st Quarter 2006, even though much of it is ready to go. The offer will be available to all API aligned pharmacists and will be marketed as "Dolphin" - this is an important announcement, more detail will follow in the months ahead.

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The retail division has been focussed on developing a unique offer for each of the banner groups based on some extensive research. This research included a review of the market by BCG, an overseas study tour and the most extensive qualitative and quantitative research conducted in the industry. The result of this research was presented to 1400 pharmacists around the country, with around 300 attending specific workshops to understand the detail of the various offers.

The approach taken by the retail team was to create a whole of store offer, not just a focus on the front end. The results of this work will be illustrated in the slides that follow as I focus on each of the brands. The overriding objective in the work done so far was to provide clear points of difference to the brands so that the consumer can easily understand the value proposition. The retail team is in the final stages of resolving the merchandise structure and we are satisfied that the capability platform is in place to deliver on the objectives identified.

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The Soul Pattinson brand has been in a state of flux for some 3 years and the retail team sought to establish a new direction that leverages off the historical strength of the brand. Soul Pattinson was the pre-eminent banner group in Australia and it has been our desire to bring the brand back to its dominant position. This work has taken the best part of 9 months to resolve. A solution was presented earlier this year, which has now been adjusted to more closely represent the brand positioning and membership needs. The promotional program has been invigorated and a new offer is being released to members as we speak. The essence of the offer is to restore the private label components of the brand that clearly differentiated Souls. The closure of Kingsgrove severely disrupted this program, however, we are happy to announce that a private label range of 150 items has been firmed up and currently there are about 80 items back on shelf. We expect the remainder to be available in early 2006. A dedicated and skilled team of people have been appointed to directly and exclusively manage the private label program. After a long and difficult process we are making some positive gains. An example being, one of our key products, Rapidine Plus, has been through the necessary validation process and is waiting final TGA approval.

Our commitment is to restore Souls back to its prominent position in the market.

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Pharmacist's Advice holds an important position in the market as it recognises the core values of pharmacy. The offer is built around a strong focus on well being solutions, professionally delivered by trained staff. The stores will present the best of healthcare needs in a new format – 2 new pilot stores will be opened in West Sydney in early 2006.

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The Chemworld brand is a bit of a sleeper in that in has built up some strong brand acceptance and by in large has a compliant promotional offer. This will be built on as the promotional program is ramped up. The brands will be positioned as a highly competitive with a strong value proposition, whilst recognising the professional service at the dispensary. The work for this brand is all but complete and is starting to roll-out.

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As committed to at the full year announcement, there will be 50 Priceline pharmacies in operation by the end of the year. The retail team are on track to achieve this commitment, albeit that the returns from their efforts will only be experienced in the 2nd half of the financial year as the new stores start hitting their targets. To roll out this many stores in a short time frame goes to highlight the capability that exists, however, does expose the business to a lag between the costs of set-up and the recovery through trading.

There is strong interest in the brand and we expect continued growth in 2006.

The process of converting standalone Priceline stores to pharmacies continues with 2 converted thus far, with more planned for later this year. Despite a slow start to the financial year impacted by a general retail slowdown, the results for the pharmacies are ahead of expectations.

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Reporting briefly on House, it has suffered at the hands of the deep discounting and the over proliferation of homeware offers in the market. Recognising this as a long term trend the House team turned its attention to a private label program which has been 9 months in development. This range is starting to arrive in stores right now and forward orders look promising.

Price Attack continues to grow strongly and has now established itself as the leading haircare speciality retailer. The Growth has been driven by new store openings as well as the success of the private label programs. We are confident of further growth from this brand in year ahead.

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The manufacturing business occupied a significant amount of management time during the period reported. Not only did we have to resolve the production process, but were faced with the unfortunate task of having to close the plant affecting some 150 people.

The technology and capability is being transferred to Auckland and we expect the production previously completed at Kingsgrove to be back up by early 2006. In the interim we have created two divisions in Auckland, one focussing on the manufacturing prospects and the other on the sales and marketing of brands. The sales and marketing team have been promoting products from internal resources as well through agency arrangements. The manufacturing plant is working diligently to get the Souls house brands back to market and having been there in recent weeks to assess progress am satisfied that gains are being made.

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Despite a challenging environment in which the regulations have changed quite dramatically allowing corporations to own 49% of as many pharmacies as they like, the Propharma business met expectations. The NZ retail pharmacy industry is consolidating into the hands of two major players and resultantly distribution margin is under pressure, a trend we expect to continue in the year ahead. The healthcare logistics component of the business has been able to secure some significant contracts and the prospects look good.

Through our relationship with Pharmacy Brands Ltd, who operates the banner groups of Unichem, Dispensary First and Amcal – we are looking to build a stronger retail presence in NZ. The early stages of this work are underway and we are hopeful of some trial stores operating in Auckland by March 2006.

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As previously mentioned we have entered into a number of JV structures and in both cases and pleased with the outcome. Performance in both the Hallam and MLE business is meeting our expectations.

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I indicated at the full year presentation that we would be providing guidance today, however, before I do so, I intend putting the guidance into some context.

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Initially I will reflect on the Generics landscape which has changed quite dramatically, not only has the Arrow/Sigma deal been announced, we have seen quite a number of new entrants to the market. All of who are out there at present offering price deals to gain market share. From a pleasing point of view, we are the distributor for most of these players, the obvious exceptions being Arrow and Alphapharm, who today deliver direct.

Our strategy is still in tact and is developing some momentum. It is built around two fundamental approaches - firstly developing a relationship with a global supplier for our broad based of wholesale customers. In this regard we have already announced our exclusive deal with Hexal. Secondly we have been working both here and overseas to secure a strategic alliance with a partner who can provide us continuity of product and a price that will stand up to the market dynamics. These discussions are ongoing and advanced.

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In relation to the Wholesaler margin – it is fair to say that it is a moving feast. The government have narrowed the options down to 2, a matrix structure and the wholesaler preferred CSO model. As part of the NPSA, API is lobbying hard for change whilst working with both the Guild and Government for a favourable outcome. We had expected a resolution by the 20th September, this has not been forthcoming due to the complexity of the process.

The Guild is the only party to the negotiations and has been promoting the CSO model in its discussions. They recognise that the CSO provides the only sustainable solution to the distribution of medicines consistent with the National Medicines policy. The Government to date has been in favour of the matrix model, which in our view has two major flaws. Firstly, it does not recognise the changes to the pharmacy supply chain since the last agreement, and secondly is inherently complex to implement. The Government has not yet recognised the unintended consequences of not coming to terms with the three wholesalers, in that full line distribution to all pharmacies on a needs basis cannot be guaranteed.

Each of the three wholesaler members of the NPSA are firm on this point, we cannot continue to deliver goods without recognition of the costs incurred. Failure to address this fundamental point will put at risk the PBS scheme, as we know it.

Our financial and operations teams have worked hard on the various options presented and have developed scenarios for each, ranging from withdrawal of services to changes in trading terms. Our approach will always be to protect the economic interests of our shareholders.

Unfortunately, I am unable at this point to provide more clarity as to timing of the negotiations or the potential outcome, suffice to say we will continue to ensure government understands the risk of not dealing appropriately with us.

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For some additional perspective, I thought I would make some comment about the current market and the conditions that we expect to prevail over the remainder of this financial year.

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For the retail businesses we expect a challenging market where consumers are likely to be impacted by decreasing consumer confidence as a result of the ever-increasing petrol prices and the reduced wealth effect. The Westpac consumer index has reported the biggest slowdown in consumer confidence in recent times. Notwithstanding, trading conditions in the last 8 weeks have been reasonably buoyant and we remain cautiously optimistic about the December period, our planning has been better than ever and the stock is already in place.

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As far as the pharmacy industry goes we expect the current challenges to prevail. The reduction in PBS volumes has been marked and leakage to the direct suppliers is having an impact. We expect that the market will be flat for the remainder of the year, and we are anticipating no net growth in industry terms Margins are holding but are expected to be flat. Our strategy is to continue looking for efficiencies and cost down opportunities.

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Overall, we believe that Revenue growth for API will be in the vicinity of 7-8% taking out the effect of Halas, H SA and including a full year for NPR. Let me look at the detail.

We anticipate no growth in the pharmacy division revenue due to the ongoing reduction in PBS volume and direct suppliers impact.

The Retail division will grow in the range of 5 - 7% on an annualised basis. Please bear in mind that we only reported 7 months in the result. This translates to a 3-4% comparable store revenue growth.

The NZ distribution is on target to achieve it's a revenue growth in the 2.5 - 3%, although we expect margin to be under pressure. The Manufacturing business will grow at about 8 –9.5% growth coming off a low base and our expectation is that it will achieve its break even objective.

The hospital division is on track to achieve a 12 -13.5% growth on a like for like bases and is expected to meet its target.

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In conclusion then I have presented to you a picture of a very busy period, one in which we have had to evolve the business to meet the evolution that is taking place in the industry at large. We are satisfied that we have made some good ground in the first of our three-year turnaround timetable. We have been decisive in dealing with underperformance and strategic in much of our decision-making. The consequence has been an improved financial result, whilst recognising that there are still many opportunities for continued improvement. Our focus will be on the operational elements of the business as we adjust to the trading landscape that awaits us.

Finally, your management team is committed to its strategy and will deliver the desired outcome in the 3-year timetable established. We are geared to respond and will do so with vigour, your support is appreciated.