

Appendix 4E
Preliminary Final Report for the year ended 31 August 2009

RESULTS FOR ANNOUNCEMENT TO THE MARKET

The following information is presented in accordance with ASX listing rule 4.3A.

1. Details of the reporting period and the previous corresponding period

Current period - the year ended 31 August 2009
 Previous corresponding period - the year ended 31 August 2008

2. Results for announcement to the market

	Year ended 31 Aug 2009 \$'000	Year ended 31 Aug 2008 \$'000	Increase/ (Decrease)
2.1 Revenue from ordinary activities	3,549,734	3,238,879	up 9.60%
2.2 Profit from ordinary activities after tax attributable to members	18,598	15,213	up 22.25%
2.3 Net profit for the period attributable to members	18,598	15,213	up 22.25%
Profit before interest, tax, depreciation and associates	65,606	65,439	up 0.26%
Profit before tax	27,176	20,969	up 29.60%
	Amount per Security	Franking %	Franked amount Per Security
2.4 Dividends			
Interim Dividend	-	-	-
Final Dividend	2 cents	100	2 cents
2.5 The record date for determining entitlements to the dividend 5:00PM Sydney time, 4 November 2009.			
2.6 Supplementary comments of any figures in 2.1 to 2.4 above			
Refer to the Results Announcement and Results Presentation issued 21 October 2009.			

3. Statement of Financial Performance

Please refer to the Income Statement in the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.

4. Statement of Financial Position

Please refer to the Balance Sheet in the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.

5. Statement of Cash Flows

Please refer to the Statement of Cash Flows in the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.

**Australian Pharmaceutical Industries Limited and Controlled Entities
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6. Dividends

	Amount per share	Franked amount per share	Total Amount	Date of payment
Paid during the year ended 31 Aug 2009				15 December
Final - August 2008 Ordinary	1 cent	1 cent	\$2,573,465	2008
Paid during the year ended 31 Aug 2008	Nil	Nil	Nil	Nil
<hr/>				
Declared in respect of the year ended 31 Aug 2009				11 December
Final - August 2009 Ordinary	2 cents	2 cents	\$5,146,929	2009

7. Dividend Reinvestment Plan

The Dividend Reinvestment Plan is not currently active.

8. Statement of Retained Earnings

Please refer to Note 7 of the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.

9. Net tangible asset backing per share (cents per share)

	31 Aug 2009	31 Aug 2008
Net Tangible Assets per Security (cents)	91.1	84.0

10. Subsidiaries

No control has been gained or lost of any subsidiary during the period.

11. Associates and Joint Ventures

Refer to Note 6 of the attached Consolidated Preliminary Final Report for the year ended 31 August 2009 for details of Associates and Joint Venture entities.

12. Other significant information

Refer to the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.

13. Foreign Entities

Not applicable.

14. Commentary on the Results for the period

- 14.1 The earnings per security and the nature of any dilution aspects.
Please refer to Note 5 of the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.
- 14.2 Returns to shareholders including distributions and buy backs.
Please refer to Note 5 of the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.
- 14.3 Significant features of operating performance.
Please refer to the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.
- 14.4 The results of segments that are significant to an understanding of the business as a whole.
Please refer to Note 2 of the attached Consolidated Preliminary Final Report for the year ended 31 August 2009.
- 14.5 A discussion of trends in performance.
Refer to the Results Announcement and Results Presentation.
- 14.6 Any other factors which have affected the results in the period or which are likely to affect results in the future, including those where the effect could not be quantified.
Refer to the Results Announcement and Results Presentation.

15. Independent Audit Review

The financial report is in the process of being audited. The Company knows of no dispute or qualification that may impact the reported result.

16. Annual Meeting

The annual meeting will be held as follows:

Place

Rydges Parramatta,
116-118 James Ruse Drive, ROSEHILL NSW 2142

Date:

Tuesday 19 January 2010

Time:

2:00pm

Approximate date the annual report will be available:

Friday 18 December 2009

17. Audit Committee

The entity has a formally constituted audit committee.

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Income Statement

In thousands of AUD

		Consolidated	
	Note	Year ended 31 August 2009	Year ended 31 August 2008
Revenue		3,549,734	3,238,879
Cost of sales		(3,180,802)	(2,875,540)
Gross profit		368,932	363,339
Other income	3	6,081	11,703
Warehousing and distribution expenses		(98,412)	(93,620)
Marketing and sales expenses		(156,539)	(160,529)
Administration and general expenses		(70,604)	(71,174)
Results from operating activities		49,458	49,719
Financial income	4	3,776	5,184
Financial expenses	4	(25,345)	(31,740)
Net financing costs		(21,569)	(26,556)
Profit before tax and results from associates		27,889	23,163
Share of loss of associates	6	(713)	(2,194)
Profit/(loss) before tax		27,176	20,969
Income tax expense		(8,578)	(5,756)
Profit/(loss) for the period		18,598	15,213
Attributable to:			
Equity holders of the parent		18,598	15,213
Profit/(loss) for the period		18,598	15,213
Earnings per share for profit attributable to the ordinary equity holders of the Company (cents per share):			
Basic – profit/(loss) per share	5	7.2	5.9
Diluted - profit/(loss) per share	5	7.2	5.9

The income statement is to be read in conjunction with the notes to the preliminary final report which are annexed.

Australian Pharmaceutical Industries Limited and Controlled Entities
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Statement of Recognised Income and Expense

In thousands of AUD

	Consolidated	
	Year ended 31 August 2009	Year ended 31 August 2008
Foreign exchange translation differences	(84)	(3,169)
Effective portion of changes in fair value of cash flow hedges, net of tax	(397)	(109)
Net expense recognised directly in equity	(481)	(3,278)
Profit/(loss) for the period	18,598	15,213
Total recognised income and expense for the period attributable to equity holders of the parent	18,117	11,935

Other movements in equity arising from transactions with owners as owners are set out in Note 7.

This statement is to be read in conjunction with the notes to the preliminary final report which are annexed.

Australian Pharmaceutical Industries Limited and Controlled Entities
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Balance Sheet

In thousands of AUD

		Consolidated	
	Note	31 August 2009	31 August 2008
Assets			
Cash and cash equivalents	8	5,856	42,906
Trade and other receivables		251,348	226,403
Inventories		292,902	269,058
Income tax receivable		-	3,326
Total current assets		550,106	541,693
Receivables		147,511	136,444
Investments accounted for using the equity method	6	23,667	24,668
Deferred tax assets		13,580	8,752
Property, plant and equipment		112,307	84,870
Intangible assets		200,073	202,828
Total non-current assets		497,138	457,562
Total assets		1,047,244	999,255
Liabilities			
Trade and other payables		564,810	549,288
Interest-bearing loans and borrowings		1,140	1,135
Employee benefits		13,560	12,721
Provisions		2,587	1,885
Income tax payable		9,133	-
Total current liabilities		591,230	565,029
Trade and other payables		9,318	3,614
Interest-bearing loans and borrowings		6,097	5,788
Employee benefits		3,322	2,999
Provisions		2,750	2,861
Total non-current liabilities		21,487	15,262
Total liabilities		612,717	580,291
Net assets		434,527	418,964
Equity			
Issued capital		419,499	419,499
Reserves		(3,907)	(3,445)
Retained earnings		18,935	2,910
Total equity	7	434,527	418,964

The balance sheet is to be read in conjunction with the notes to the preliminary final report which are annexed.

Australian Pharmaceutical Industries Limited and Controlled Entities
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Statement of Cash Flows

In thousands of AUD

		Consolidated	
	<i>Note</i>	Year ended 31 August 2009	Year ended 31 August 2008
Cash flows from operating activities			
Receipts from customers		3,880,082	3,439,652
Payments to suppliers and employees		(3,846,322)	(3,386,173)
Cash generated from operations		33,760	53,479
Interest received	4	3,776	5,184
Financing costs paid	4	(25,345)	(31,740)
Income taxes (payment)/refund		(632)	3,631
Net cash from operating activities		11,559	30,554
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		8,760	10,242
Acquisition of property, plant and equipment		(43,456)	(26,342)
Deferred consideration receivable		182	6,677
Proceeds from disposal of subsidiary, net of cash disposed		-	15,178
Acquisition of investments in associates		-	(2,727)
Payment for intangibles		(161)	(215)
Net cash from investing activities		(34,675)	2,813
Cash flows from financing activities			
Payment for interest bearing note (securitised receivable)		(10,000)	(2,500)
Payment of finance lease liabilities		(1,363)	(3,014)
Repayment of depositors' loans		-	(69)
Proceeds from borrowings		-	4,931
Dividends paid	7	(2,573)	-
Net cash from financing activities		(13,936)	(652)
Net (decrease)/increase in cash and cash equivalents		(37,052)	32,715
Cash and cash equivalents at the beginning of the period		42,906	9,558
Effect of exchange rate fluctuations on cash held		2	633
Cash and cash equivalents at the end of the period	8	5,856	42,906

This statement of cash flows is to be read in conjunction with the notes to the preliminary final report which are annexed.

Notes to the Preliminary Final Report

1. SIGNIFICANT ACCOUNTING POLICIES

Australian Pharmaceutical Industries Limited (the 'Company') is a company domiciled in Australia. The preliminary final report of the Company for the year ended 31 August 2009 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity') and the consolidated entity's interest in associates and jointly controlled entities.

(a) Statement of compliance

The preliminary final report has been prepared in accordance with the measurement requirements of Australian Accounting Standards ('AASs') adopted by the Australian Accounting Standards Board ('AASB') for the purpose of fulfilling the consolidated entity's obligation under the Australian Stock Exchange listing rules.

(b) Basis of preparation

The preliminary final report is presented in Australian dollars.

The preliminary final report is prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified as available-for-sale.

The accounting policies have been applied consistently and a full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

2. SEGMENT REPORTING

Segment information is presented in respect of the consolidated entity's business and geographical segments. The primary format, business segments, is based on the consolidated entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly loyalty program costs, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Business Segments

The consolidated entity comprises the following operating divisions:

Pharmacy Distribution

Australia – Distribution of pharmaceutical and medical products to pharmacies, provider of retail services to pharmacy customers.

Retailing

Australia – The purchase and sale of various health, beauty and lifestyle products within the retail industry in Australia.

Manufacturing

Australia and New Zealand – Manufacturer and owner of rights of pharmaceutical medicines and consumer toiletries. The majority of manufacturing operations are located in New Zealand.

Australian Pharmaceutical Industries Limited and Controlled Entities
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2. SEGMENT REPORTING (continued)

Notes to the Preliminary Final Report

In thousands of AUD

	DISTRIBUTION		RETAILING		MANUFACTURING		ELIMINATIONS		CONSOLIDATED	
	AUSTRALIA		AUSTRALIA		AUSTRALIA & NEW ZEALAND					
	Aug-09	Aug-08	Aug-09	Aug-08	Aug-09	Aug-08	Aug-09	Aug-08	Aug-09	Aug-08
Revenue										
External segment sales	2,757,290	2,478,192	622,484	615,635	42,501	35,152	-	-	3,422,275	3,128,979
External segment services	59,775	45,501	67,684	64,399	-	-	-	-	127,459	109,900
Internal segment sales	-	-	-	-	11,920	8,884	(11,920)	(8,884)	-	-
Total segment revenue	2,817,065	2,523,693	690,168	680,034	54,421	44,036	(11,920)	(8,884)	3,549,734	3,238,879
Segment result	49,940	43,145	17,952	24,831	2,369	1,284	-	-	70,261	69,260
Unallocated income										-
Unallocated expenses									(20,803)	(19,541)
Profit before financing costs									49,458	49,719
Net financing costs									(21,569)	(26,556)
Share of profit/(loss) of associates									(713)	(2,194)
(Loss)/Profit before tax									27,176	20,969
Income tax expense									(8,578)	(5,756)
Net (loss)/ profit									18,598	15,213
Depreciation & amortisation	9,102	8,434	5,853	6,082	1,194	1,204			16,148	15,720
Assets										
Segment assets	665,543	676,593	398,720	379,030	72,951	75,965	(114,206)	(157,513)	1,023,008	974,075
Equity accounted investments	-	-	-	-	-	-	-	-	23,667	24,668
Unallocated corporate assets	-	-	-	-	-	-	-	-	569	512
Consolidated total assets	665,543	676,593	398,720	379,030	72,951	75,965	(114,206)	(157,513)	1,047,244	999,255
Liabilities										
Segment liabilities	526,379	497,682	173,319	210,960	26,077	28,096	(114,206)	(157,513)	611,569	579,225
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	1,148	1,066
Consolidated total liabilities	526,379	497,682	173,319	210,960	26,077	28,096	(114,206)	(157,513)	612,717	580,291
Capital Expenditure	9,963	10,464	32,285	15,384	1,208	494	-	-	43,456	26,342

Notes to the Preliminary Final Report

3. OTHER INCOME

<i>In thousands of AUD</i>	Consolidated	
	Year ended 31 August 2009	Year ended 31 August 2008
Net gain on disposal of stores, property, plant and equipment	6,169	10,538
Foreign exchange (losses)/gains	(88)	1,165
	<u>6,081</u>	<u>11,703</u>

4. FINANCE INCOME AND EXPENSE

<i>In thousands of AUD</i>		
Interest income	(3,776)	(5,184)
Financing costs	<u>25,345</u>	<u>31,740</u>
Net financing costs	<u>21,569</u>	<u>26,556</u>

5. EARNINGS PER SHARE

	Consolidated	
	Year ended 31 August 2009	Year ended 31 August 2008
Profit attributable to ordinary shares (<i>In thousands of AUD</i>)	<u>18,598</u>	<u>15,213</u>
Weighted average number of ordinary shares		
Number for basic earnings per share	257,346,455	257,346,455
Effect of potential ordinary shares	<u>1,226,800</u>	<u>89,529</u>
Number for diluted earnings per share	<u>258,573,255</u>	<u>257,435,984</u>
Basic earnings per share - ordinary share (<i>cents</i>)	7.2	5.9
Diluted earnings per share - ordinary share (<i>cents</i>)	<u>7.2</u>	<u>5.9</u>

Classification of securities as ordinary shares

Only ordinary shares have been included in basic earnings per share

Classification of securities as potential ordinary shares

Share Performance Rights have been classified as potential ordinary shares and included in diluted earnings per share only.

Notes to the Preliminary Final Report

6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates and joint venture entities

The consolidated entity accounts for investments in associates and joint venture entities using the equity method and has the following investment:

Venture	Principal activities	Country	Reporting Date	Ownership	
				31 August 2009	31 August 2008
CH2 Holdings Pty Ltd	Hospital supplies distribution	Australia	30 June	45.3%	45.3%

	Revenues 100%	Loss- 100%	Share of associates net loss before income tax expense	Share of associates net loss – equity accounted	Net assets as reported by associates 100%	Share of associate's net assets equity accounted (including goodwill)
<i>In thousands of AUD</i>						
For the year ended 31 August 2009						
CH2 Holdings Pty Ltd	738,053	(1,574)	(1,019)	(713)	42,259	23,667
For the year ended 31 August 2008						
CH2 Holdings Pty Ltd	680,711	(4,843)	(3,134)	(2,194)	44,939	24,668

Notes to the Preliminary Final Report

7. CAPITAL AND RESERVES

	Share Capital	Retained Earnings	Translation Reserve	Hedging Reserve	Equity Reserve	Total Equity
<i>In thousands of AUD</i>						
<i>Balance at 1 September 2007</i>	419,499	(12,303)	(970)	506	203	406,935
Equity settled transactions	-	-	-	-	94	94
Total recognised income and expense	-	15,213	(3,169)	(109)	-	11,935
<i>Balance at 31 August 2008</i>	<u>419,499</u>	<u>2,910</u>	<u>(4,139)</u>	<u>397</u>	<u>297</u>	<u>418,964</u>
<i>Balance at 1 September 2008</i>	419,499	2,910	(4,139)	397	297	418,964
Equity settled transactions	-	-	-	-	19	19
Dividends to shareholders	-	(2,573)	-	-	-	(2,573)
Total recognised income and expense	-	18,598	(84)	(397)	-	18,117
<i>Balance at 31 August 2009</i>	<u>419,499</u>	<u>18,935</u>	<u>(4,223)</u>	<u>-</u>	<u>316</u>	<u>434,527</u>

Share capital

In thousands of shares

Shares on issue at the beginning of the period – fully paid

Shares on issue at the end of the period – fully paid

The Company	
Ordinary shares	
31 August 2009	31 August 2008
<u>257,346</u>	<u>257,346</u>
<u>257,346</u>	<u>257,346</u>

Ordinary shares

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders meetings.

In the event of a winding up of the Company, ordinary shareholders rank after all other creditors and are fully entitled to any proceeds of liquidation.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Equity reserve

The equity reserve relates to share-based payment transactions measured at fair value.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

Notes to the Preliminary Final Report

7. CAPITAL AND RESERVES (continued)

Dividends

Dividends recognised in the current period by the Company are:

<i>In thousands of AUD</i>	Cents per share	Total amount	Franked / unfranked	Date of payment
Interim 2009 ordinary	-	-	-	
Final 2008 ordinary	1.00	<u>\$2,573,465</u>	100%	15 December 2008
Total amount		<u>\$2,573,465</u>		

The Company

In thousands of AUD

31 August 2009 31 August 2008

Dividend franking account

30 per cent franking credits available to shareholders of the Company for subsequent financial years

17,049 5,112

The above available amounts are based on the balance of the dividend franking account at year-end adjusted for:

- (a) Franking credits that will arise from the payment of the current tax liabilities;
- (b) Franking debits that will arise from the payment of dividends recognised as a liability at the year end;
- (c) Franking credits that will arise from the receipt of dividends recognised as receivables by the tax consolidated group at the year end;
- (d) Franking credits that the entity may be prevented from distributing in subsequent years, and
- (e) Franking debits that will arise from receipt of the current income tax receivable.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The future reduction in the dividend franking account of dividends proposed after the balance sheet date but not recognised as a liability at year end is \$2,205,828 (31 August 2008: \$1,102,000).

Notes to the Preliminary Final Report

8. CASH AND CASH EQUIVALENTS

	Consolidated	
<i>In thousands of AUD</i>	31 August 2009	31 August 2008
Cash and cash equivalents	5,856	42,906
Cash and cash equivalents in the statement of cash flows	<u>5,856</u>	<u>42,906</u>

Notes to the Preliminary Final Report

9. CONTINGENCIES

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

<i>In thousands of AUD</i>	Notes	Consolidated	
		31 August 2009	31 August 2008
Contingent liabilities considered remote			
Guarantee of bank facilities of pharmacy customers	i.	64,164	73,200
Contingent liability for potential ClubCard voucher redemptions	ii.	1,084	6,547

- i. The Company has strict controls over the approval of guarantees of pharmacy customers and takes security over the assets of the relevant pharmacy.
- ii. The contingent liability for ClubCard voucher redemptions represents the value of vouchers issued and not redeemed or provided for. A provision has been recognised for potential voucher redemptions based on historical redemption rates.

10. SUBSEQUENT EVENTS

Subsequent to year end, API received commitments subject to final documentation from its bankers to extend its cash advance facilities to April 2012 and its securitisation facilities to April 2011.