Sigma Pharmaceuticals Limited
ABN 15 088 417 403

Australian Stock Exchange Listing Rules Disclosure

Full Year Financial Report

For the financial year ended 31 January 2010

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All presentation material will be posted to Sigma's website (www.sigmaco.com.au)

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Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Full Year Financial Report

For the financial year ended 31 January 2010
compared to the prior year ended 31 January 2009

Results for Announcement to the Market

Group Results				$000
Sales revenue	up	4.5%	to	3,220,430
Total revenue and income	up	4.7%	to	3,271,540
Earnings before interest and tax	down	262.4%	to	(308,996)
Net loss after tax attributable to members	down	585.5%	to	(389,042)

Dividends	Amount per security	Franked amount per security at 30% tax rate
Dividends declared or paid by Sigma Pharmaceuticals Limited are:		
Final dividend [1]	-	-
Interim dividend	3.0¢	3.0¢
Final dividends paid in the previous corresponding period were:		
Final dividend [2]	4.0¢	4.0¢

1. Since the end of the financial year no final dividend has been declared by the directors
2. The final dividend was paid to shareholders on 7 May 2009.

Net Tangible Asset Backing	2010 Cents	2009 cents
Net tangible asset backing per ordinary share	15	(16)

Sigma Pharmaceuticals Limited
ABN 15 088 417 403

Commentary and Analysis

The table below provides a summary of the group's reported financial performance for the year ended 31 January 2010.

Group Financial Results - Reported

	2010 ($'000)	2009 ($'000)	Change %
Sales revenue	3,220,430	3,081,287	Up 4.5%
(Loss)/Earnings before interest, tax depreciation and amortisation (L/EBITDA)	(263,168)	234,989	Down 212.0%
(Loss)/Earnings before interest and tax (L/EBIT)	(308,996)	190,260	Down 262.4%
(Loss)/Profit before tax	(381,099)	113,544	Down 435.6%
(Loss)/Net profit after tax	(389,042)	80,124	Down 585.5%
Dividends per share	3.00c	7.00c	-

Cashflow

Net operating cash flow from operations was $19.2 million, 92.2% less than the prior corresponding period.

Net operating cash flows were used to fund:

- Interest - $77.1 million.
- Tax - $29.1 million

The Company announced on 7 September 2009 that it had agreed to acquire some parts of the Australian business operations of Bristol Myers Squibb Australia ("BMSA") and associated assets ("BMS Australian Business"). The BMS Australian Business is comprised of the Pharmaceutical and Technical Operations Division and operates out of BMS Australia's Noble Park facility.

Sigma announced on 7 September 2009 a 1 for 3 fully underwritten accelerated renounceable entitlement ("AREO") offer to raise $297,000,000. Deutsche Bank AG (Sydney Branch) was the sole underwriter of the AREO. Net proceeds from the equity raising were used to fund the BMSA acquisition, reduce debt and fund working capital.

Group Financial Results – Reported

Group Results (on a reported basis)	31 January 2010 $000	31 January 2009 $000	Change %
Sales revenue	3,220,430	3,081,287	Up 4.5%
(Loss)/Earnings before interest, tax depreciation and amortisation (L/EBITDA)	(263,168)	234,989	Down 212.0%
Depreciation and amortisation	45,828	44,501	up 3.0%
(Loss)/Earnings before interest and tax (L/EBIT)	(308,996)	190,260	Down 262.4%
(Loss)/Net profit after tax	(389,042)	80,124	Down 585.5%
EBIT/Sales (L/EBIT margin)	(9.6)%	6.2%	Down 15.8%
Basic EPS	(40.7)c	9.4c	Down 50.1c
Dividend per share	3.0c	7.0c	Down 4.0c

Sales revenue and earnings
The Group's reported revenue increased by $139,143,000 to $3,220,430,000 against a back ground of absorbing PBS price reforms and highly competitive generic pricing.

The Group reported a net loss after tax for the financial year of ($389,042,000) compared with a profit of $80,124,000 for prior year. This loss was primarily driven by a non-cash impairment of goodwill of $424,230,000.

The carrying value of the group's goodwill was reassessed in light of a progressive deterioration in competitive conditions and a changing regulatory environment. The full impact and force of these changes affected the industry and the Company particularly in the last months of the year. The change in competitive conditions and the industry impact of new regulations have directly and negatively impacted the short and long term growth rates for our healthcare and pharmaceutical businesses. Additionally, the synergies expected from the merger of Sigma Pharmaceuticals Limited and Sigma Company Limited in 2005 have not been achieved. The future cash flow forecasts were revised and an impairment was taken against goodwill. Changes in the risk profile of the Company have contributed to an increase in the Company's weighted average cost of capital.

These factors combined to result in a material adjustment to the carrying value of goodwill of $424,230,000 (note 14 has further details around the goodwill impairment). At 31 January 2010 the Group breached particular borrowing covenants relating to its syndicated banking facility however there were no defaults on either interest or principal repayment obligations. Following this breach, borrowings amounting to $279,407,000 were reclassified as current liabilities because the lenders had the right but not the obligation to demand immediate repayment of the facility. As a result, the Group had a working capital deficiency of a $45,719,000 as at 31 January 2010.

Subsequent to the reporting date, the Group has renegotiated its borrowings with the banking syndicate and the banks have waived all previous events of default. Refer Note 33 for further detail on the refinancing that occurred post year end.

Divisional Earnings Performance

Pharmaceuticals Division: Financial Results (Reported)

Pharmaceuticals Division	31 January 2010 ($m)	31 January 2009 ($m)	Change %
External revenue	670.9	710.7	Down 5.6%
(Loss)/Earnings before interest, tax depreciation and amortisation (L/EBITDA)	(81.7)	171.4	Down 147.6%
(Loss)/Earnings before interest and tax (L/EBIT)	(124.6)	130.0	Down 195.8%

Goodwill impairment recognised in relation to the Pharmaceuticals Division was $184.4m.

Accordingly the adjusted EBIT result excluding the goodwill impairment amounted to $59.8m.

The period to 31 January 2010 saw continued aggressive discounting within the Generics market in which we compete leading to lower future cash flow forecasts for this business. Ultimately the synergies expected from the merger of Sigma Pharmaceuticals Limited (formerly Arrow) and Sigma Company Limited in 2005 have not been achieved, and in light of the level of increased competition and discounting which we have seen in the market, Sigma has revised the Pharmaceutical's cash flow forecasts.

This detailed exercise also considered the impact of proposed additional PBS reforms including Generic product pricing disclosure and the underlying impact that this has had on our future cash flow forecasts.

The period saw additional investment within the Consumer division in order to raise the level of brand awareness within our direct Grocery channel. However this investment did not result in the anticipated benefits expected from the Herron business and this has negatively affected our future cash flow forecasts.

Healthcare Division: Financial Results (Reported)

Healthcare Division	31 January 2010 ($m)	31 January 2009 ($m)	Change %
External revenue	2,549.5	2,370.6	Up 7.5%
(Loss)/Earnings before interest, tax depreciation and amortisation (L/EBITDA)	(172.1)	70.1	Down 345.5%
(Loss)/Earnings before interest and tax (L/EBIT)	(174.9)	67.0	Down 361.0%

Goodwill impairment recognised in relation to the Healthcare Division was $239.8m.

Accordingly the adjusted EBIT result excluding the goodwill impairment amounted to $64.9m.

The cash flow forecasts for our Healthcare business were also negatively impacted by the proposed additional PBS reforms.

The period to 31 January 2010 also saw an increase in competition through direct competitors offering higher discounts and rebates when compared to the same prior year period. Ultimately this has resulted in a loss of market share for the Sigma Group.

The effects of these conditions around competition and associated aggressive discounting were not fully realised until the completion of our January 2010 promotional activity.

Ultimately the synergies expected from the merger of Sigma Pharmaceuticals Limited (formerly Arrow) and Sigma Company Limited in 2005 have not been achieved, and in light of the level of increased competition and discounting which we have seen in the market, Sigma has revised the Healthcare cash flow forecasts

Finally, in the period to 31 January 2010 the Healthcare business saw significant growth in customer volumes directly relating to our large group customers. Whilst this growth translated to top line sales revenue increases, the extended trade debtor settlement terms strained the group's working capital position. We are working with these customers to reduce the extended settlement terms to a more sustainable basis that reflects current credit conditions.

Dividends

Since the end of the financial year no final dividend has been declared by the directors.

Shareholder's Calendar

2010		
31	March	Results Announced
26	May	Annual General Meeting

Stakeholder Queries

Share Registry Enquires:

Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235
Australia
Telephone (within Australia): 1300 554 474
E-mail: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

Company Enquiries:

Elmo de Alwis
Managing Director
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The Preliminary Final Report and other company information can be found on Sigma's website at www.sigmaco.com.au

SIGMA PHARMACEUTICALS LIMITED ABN 15 088 417 403
Registered Office: 96 Merrindale Drive, Croydon VIC 3136

FINANCIAL STATEMENTS

For the financial year ended

31 January 2010

Directors' Report

The directors' report on Sigma Pharmaceuticals Limited (the "Company") and its controlled entities (the "Group") for the financial year ended 31 January 2010.

Directors

Directors during the financial year and up to the date of this report were:

Dr J Stocker, AO

Mr E de Alwis

Mr B Jamieson

Ms L Nicholls, AO

Mr W Scott

Mr D Curlewis

Mr D Bayes

Mr D Manuel (appointed 26 October 2009)

Sue Morgan-Dethick was appointed as company secretary on 25 August 2009.

Directors' Interests in Share Capital, Options and Performance Rights of the Company

Details of the directors' relevant interests in shares, options and performance rights of the Company at the date of this report are as follows:

	Number of fully paid ordinary shares	Number of performance rights over fully paid ordinary shares
Dr J Stocker, AO	322,161	-
Mr E de Alwis	2,423,457	1,037,468
Mr B Jamieson	187,020	-
Ms L Nicholls, AO	377,954	-
Mr W Scott	6,251,961	-
Mr D Curlewis	53,704	-
Mr D Bayes	74,845	-
Mr D Manuel	14,658	-
	9,705,760	1,037,468

Review and Results of Operations

The Group's reported revenue increased $139,143,000 to $3,220,430,000 against a back ground of absorbing PBS price reforms and highly competitive generic pricing.

The Group reported a net loss after tax for the financial year of ($389,042,000) compared with a profit of $80,124,000 for prior year. This loss was primarily driven by a non-cash impairment of goodwill of $424,230,000.

The carrying value of the group's goodwill was reassessed in light of a progressive deterioration in competitive conditions and a changing regulatory environment. The full impact and force of these changes affected the industry and the Company particularly in the last months of the year. The change in competitive conditions and the industry impact of new regulations have directly and negatively impacted the short and long term growth rates for our healthcare and pharmaceutical businesses. Additionally, the synergies expected from the merger of Sigma Pharmaceuticals Limited and Sigma Company Limited in 2005 have not been achieved. The future cash flow forecasts were revised and an impairment was taken against goodwill. Changes in the risk profile of the Company have contributed to an increase in the Company's weighted average cost of capital.

These factors combined to result in a material adjustment to the carrying value of goodwill of $424,230,000 (note 14 has further details around the goodwill impairment). At 31 January 2010 the Group breached particular borrowing covenants relating to its syndicated banking facility however there were no defaults on either interest or principal repayment obligations. Following this breach, borrowings amounting to $279,407,000 were reclassified as current liabilities because the lenders had the right but not the obligation to demand immediate repayment of the facility. As a result, the Group had a working capital deficiency of $45,719,000 as at 31 January 2010.

Subsequent to the reporting date, the Group has renegotiated its borrowings with the banking syndicate and the banks have waived all previous events of default.

Note 1 and 17 have further details around our banking facilities.

Refer Note 33 for further detail on the refinancing that occurred post year end.

Review and Results of Operations (continued)

We have brought onto the Company's balance sheet the assets and liabilities associated with our Gateway pharmacy financing programme. Previously this programme was recorded off balance sheet – however pharmacy defaults within the programme during the second half of the financial year resulted in Sigma being exposed to the risks associated with the remaining loan pool. There is an ongoing programme for the pharmacy borrowers to refinance these loans through alternative lenders in the 2010/11 financial year.

Sigma invested further in rationalisation and restructuring activities in the 2009/10 year. The majority of this expenditure was within our Pharmaceuticals division as we downsized manufacturing facilities at Noble Park and progressed the closure of Tennyson. These initiatives complement the expansion of Dandenong and are part of the Company's manufacturing facilities strategy. Other events that occurred during the period were the acquisition of the Bristol Myers Squibb brand portfolio and facility in conjunction with a $297,000,000 accelerated renounceable entitlement offer.

Acquisition of established brand portfolio and manufacturing facility from Bristol-Myers Squibb

The Company announced on 7 September 2009 that it had agreed to acquire some parts of the Australian business operations of Bristol Myers Squibb Australia ("BMSA") and associated assets ("BMS Australian Business"). The BMS Australian Business is comprised of the Pharmaceutical and Technical Operations Division and operates out of BMS Australia's Noble Park facility. Settlement occurred on 2 October 2009 with a total purchase price of $70,001,000 (excluding GST) which was funded from an equity raising.

Under the acquisition agreement Sigma acquired the Noble Park Facility and the employees required to operate the BMS Australian Business. The Company also acquired the rights to manufacture and market the certain products in Australia and New Zealand: BMSA retained the commercial and sales team in Australia, and Sigma agreed to lease office space at the Noble Park Facility to BMSA for a period of three years.

Sigma and BMS also entered into a Toll Manufacturing Agreement for three years, under which Sigma is engaged by BMS to contract manufacture certain pharmaceutical products for BMS for distribution in overseas territories.

The Directors are pleased with the integration of this business within Sigma's operations and the results to 31 January 2010 include 4 months of post acquisition profit. Details of the acquisition accounting have been disclosed in note 30(c).

$297,000,000 accelerated renounceable entitlement offer

Sigma also announced on 7 September 2009 a 1 for 3 fully underwritten accelerated renounceable entitlement ("AREO") offer to raise $297,000,000. Deutsche Bank AG (Sydney Branch) was the sole underwriter of the AREO. Net proceeds from the equity raising were used to fund the BMSA acquisition, reduce debt and fund working capital.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Group during the financial year not otherwise disclosed elsewhere in this report.

Principal Activities

The principal activities of the entities within the Group during the course of the financial year ended 31 January 2010 were the manufacture, marketing and wholesale distribution of pharmaceutical products through the pharmacy and grocery channels and the provision of services to retail pharmacists.

Events subsequent to the reporting date

The Directors announced that no final dividend will be declared or paid for the 2009/10 year.

Since the end of the financial year the Group has renegotiated its banking facilities preserving the original refinancing date of September 2011, and obtained a waiver of all previous events of default arising from breaches of particular covenants as at 31 January 2010. Refer Note 33 for further detail on the refinancing that occurred post year end.

In line with normal day to day cash management the group drew down an additional $302,000,000 of syndicated debt and repaid $95,000,000 of this debt in line with normal maturity profiles. The group also paid down $18,000,000 in relation to the Group's on balance sheet debtors securitisation programme Waratah. In addition the Group drew down $326,000,000 in relation to our off balance sheet Sigma Rewards debtor securitisation programme and repaid $360,000,000 in line with normal maturity profiles. During the period post year end the Group has increased cash and cash equivalents by $126,000,000. These increases since the reporting date reflect the peak in our yearly working capital cycle. Refer Note 33 for further details on the Group's refinancing status.

At the request of the Company Sigma has not traded on the Australian Securities Exchange since 25th February 2010.

No other matter or circumstance has arisen since 31 January 2010 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years not otherwise disclosed above.

Likely Developments and expected Results of Operations

Further information regarding likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because the directors believe disclosure of such information would be likely to result in unreasonable commercial prejudice to the Group.

Environmental Regulation

The Group is required to observe legislation and codes of practice prescribed by the various authorities, including those prescribed by the Environmental Protection Agency. Management ensures that licenses and permits required by local, state and federal bodies are in place. The Company maintains contact with regulatory authorities to ensure its operations maintain compliance and applicable environmental requirements. Various authorities and trading partners inspect the Group's facilities, including reviewing the environmental impact of the operations. The Group has not been prosecuted nor received any notification of intention to prosecute for any failure to comply with environmental regulations. The Group is in the tenth year of reporting through the National Pollution Inventory for Medicinal and Pharmaceutical Product Manufacturing at the relevant manufacturing sites. All relevant manufacturing sites have been registered, and comply with the relevant state legislation associated with cooling towers. The directors are not aware of any material issues affecting the Group or its compliance with the relevant environmental agencies or regulatory authorities.

Dividends

An interim dividend of 3.0 cents per share, amounting to $34,990,000 fully franked at 30% was paid on 13 November 2009.

Since the end of the financial year no final dividend has been declared by the directors.

Board and Committee Meeting Attendance

The table below shows the attendance of directors of the Company at meetings of the Board and its' Committees (where the director was a committee member) during the year.

	Board of Directors' Meetings (Monthly Scheduled)		Board of Directors' Meetings (Unscheduled)		Risk Management & Audit Committee Meetings		Remuneration & Nominations Committee Meetings	
Directors	No Held*	No. Attended	No Held	No. Attended	No Held	No. of meetings Attended as a committee member	No Held	No. of meetings Attended as a committee member
Dr J Stocker, AO	11	11	7	5	-	-	-	-
Mr E de Alwis	11	11	7	7	-	-	-	-
Mr B Jamieson	11	11	7	7	7	6	4	4
Ms L Nicholls, AO	11	10	7	7	7	7	-	-
Mr W Scott	11	11	7	7	-	-	4	4
Mr D Curlewis	11	11	7	7	7	7	-	-
Mr D Bayes	11	10	7	7	-	-	4	4
Mr D Manuel **	11	3	7	-	-	-	-	-

Risk Management and Audit Committee Members: Ms L Nicholls AO, Mr B Jamieson, Mr D Curlewis
Remuneration and Nominations Committee Members: Mr B Jamieson, Mr W Scott, Mr D Bayes
** Mr Manuel joined the Board of Directors at the October 2009 Board Meeting

Directors' and Officers' Indemnities and Insurance

As provided under the constitution, the Company indemnifies directors and officers to the extent permitted by law for any liability incurred to persons other than the Company or its related bodies corporate in their capacity as directors or officers unless the liability arises out of conduct involving a lack of good faith.

During the year, the Company has paid a premium in respect of a contract insuring its directors and officers against a liability of this nature. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amounts of premiums paid are confidential.

Non-Audit Services

The Company's Risk Management and Audit Committee ("RMAC") is responsible for the maintenance of audit independence.

Specifically, the RMAC Charter ensures the independence of the auditor is maintained by:

a) Limiting the scope and nature of non-audit services that may be provided; and
b) Requiring that permitted non-audit services must be pre-approved by the RMAC.

The RMAC has reviewed a summary of all non-audit services provided by the external auditors for the financial year ended 31 January 2010. The RMAC has confirmed that the provision of these services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that the nature and scope of non-audit services provided did not compromise auditor independence. This has been formally advised to the Board of Directors by the RMAC.

Details of the amounts paid or payable to the Group's external auditor, PricewaterhouseCoopers for both audit and non-audit services are provided in the table below:

Non-Audit Services (continued)

	2010 $
Consolidated	
Audit services	
Audit and review of the financial statements by PricewaterhouseCoopers, Australia	860,000
Other services	
Other assurance services	307,984
Tax compliance services provided by PricewaterhouseCoopers, Australia	42,500
Tax compliance services provided by PricewaterhouseCoopers, New Zealand	7,500
Total remuneration	1, 217,984
The Company	
Audit services	
Audit and review of the financial statements by PricewaterhouseCoopers, Australia	55,000
Total remuneration	55,000

Auditor's Independence Declaration

The Company's lead auditor has provided a written declaration under Section 307C of the Corporations Act 2001 that to the best of her knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporation Act 2001 in relation to the audit; and
- the applicable code of professional conduct in relation to the audit.

No person who was an officer of the Company during the financial year was a director or partner of the Group's external audit firm at a time when the Group's external auditor conducted an audit of the Group.

A copy of this declaration is contained on Page 29.

Managing Director and Chief Financial Officer Declaration

The Managing Director and the Chief Financial Officer have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations in regards to the integrity of the financial statements.

Directors' and Executive Officers' Remuneration Policy

Details of Group's remuneration policy in respect of the directors and senior managers is detailed in the Remuneration Report on pages 12 to 28. Details of the remuneration paid to each non-executive director, the Managing Director and other senior managers are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Directors' Report.

Rounding

The Company is of the kind referred to in the Australian Securities and Investments Commission Class Order No. 98/100 and in accordance with this Class Order, amounts in the financial statements and this report have been rounded off to the nearest thousand dollars, unless specifically stated to be otherwise.

The Directors' Report is made in accordance with a resolution of the Board of Directors, and signed for and on behalf of the directors by:

Dr John W Stocker AO
Chairman

Mr Elmo de Alwis
Managing Director

Melbourne
31 March 2010

Remuneration Report 2009/10

Remuneration Report Contents

1. Introduction

This Remuneration Report ("report") sets out the Company's Remuneration Framework and its application for the financial year ended 31 January 2010 ("financial year"). The report demonstrates the link between the performance of the Company and individual remuneration, as well as disclosing remuneration arrangements, equity holdings, loans and other transactions.

The Remuneration Framework is designed to create a high performance culture by driving and rewarding executive behaviours which are focussed on the achievement of the Company's strategic and business objectives, and links at-risk remuneration to the creation of value for shareholders. Remuneration programs are developed to ensure the Company is able to attract, retain and motivate high calibre employees at all levels within the business and who are capable of delivering the Company's financial and strategic objectives.

An overview of the key remuneration outcomes for the financial year are as follows:

- **CEO/MD received total remuneration payments of $1,018,228 during the 2009/10 financial year**
- **No Short Term Incentives were paid to the CEO/MD and Executives under the Sigma Short Term Incentive Plan for the 2008/09 and 2009/10 financial years**
- **Rights arising under the 2004 Long Term Incentive Plan for the CEO/MD and the 2006 Long Term Incentive Plan for the CEO/MD and Executives have lapsed**
- **Rights arising under the 2007, 2008 and 2009 Long Term Incentive Plans for the CEO/MD and Executives have not satisfied the performance conditions to permit payment during the 2009/10 financial year**
- **CEO/MD and Executive remuneration review increases were consistent with the rate of inflation for the 2009/10 financial year**
- **Non-Executive Director fees were not increased during the 2009/10 financial year and the aggregate fees maximum limit for the Non-Executive Directors fee pool has not been increased since the 2007 Annual General Meeting**

This report is prepared in accordance with section 300A of the Corporations Act 2001 for the Company and its subsidiaries. This report has been audited as required by section 308(3C) of the Corporations Act 2001.

2. Key Management Personnel

For the purpose of this report "Key Management Personnel" are defined as persons having authority and responsibility for planning, directing and controlling the major activities of the Company and Group, and include:

a) All Executive and Non-Executive Directors of the Company ("Directors"); and

b) Those Executives who have the responsibility and authority for planning, directing and controlling the activities of the Company or the Group, directly or indirectly, during the financial year ("Key Executive Personnel"). For the purposes of this report, Key Executive Personnel also includes the five highest remunerated company executives.

The following Directors and Key Executive Personnel were the Key Management Personnel during the financial year.

Key Management Personnel

Directors	Position	Date of Any Change in Position
Dr. J Stocker, AO	Chairman	
Mr. E de Alwis	CEO/Managing Director	
Mr. D Bayes	Non-Executive Director	
Mr. D Curlewis	Non-Executive Director	
Mr. B Jamieson	Non-Executive Director	
Mr. D Manuel	Non-Executive Director	Commenced 26 October 2009
Ms. L Nicholls, AO	Non-Executive Director	
Mr. W Scott	Non-Executive Director	
Executives		
Mr. I Finlay	General Manager Operations	
Mr. K Jeffs	General Manager- Medical	Commenced 22 April 2009
Mr. M Smith	Chief Financial Officer	
Ms. J Toh	Chief Information Officer and General Manager Logistics	
Mr. S Waller	General Manager Sales	

3. Remuneration Objectives

The Company's Remuneration Framework is designed to align the interests of Non-Executive Directors and Executives with those of shareholders. This is achieved through the provision of a total target remuneration package that has a large component of pay at-risk and that is dependent on the achievement of rigorous key performance indicators. Remuneration packages are also designed to attract, retain and motivate high calibre talent.

The fee structure for Non-Executive Directors outlined in section 5 is designed to set aggregate fees at a level which allows the Company to attract and retain high calibre Non-Executive Directors, whilst ensuring fees remain consistent with other ASX listed companies of similar size.

The remuneration structure for the CEO/Managing Director and Executives outlined in section 6 comprises fixed remuneration and at-risk remuneration, which is only payable upon the attainment of performance targets. The objective of the at-risk remuneration component of Executive remuneration is to link reward to the achievement of the Company's annual performance objectives and longer term strategic goals, thus aligning the interests of Executives and shareholders. At-risk remuneration consists of both short-term and long-term incentives.

4. Remuneration and Nomination Committee

The responsibilities of the Remuneration and Nomination Committee are governed by its Charter (available at http://www.sigmaco.com.au/corporategovernance.cfm), which was developed in line with ASX Corporate Governance Principles and Recommendations and the Business Council of Australia Guidelines. The Charter specifies the purpose, authority, membership and activities of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is responsible for providing recommendations to the Board in regard to the remuneration strategy, policies and practices applicable to Non-Executive Directors, the CEO/Managing Director, and Executives.

The Remuneration and Nomination Committee comprises three independent Non-Executive Directors, namely a Chairman and two Members. The Committee members for the financial year were as follows:

Remuneration & Nomination Committee

Name	Position	Member from
Mr. Brian Jamieson	Chairman	December 2005
Mr. David Bayes	Member	June 2007
Mr. Bill Scott	Member	December 2005

The Remuneration and Nomination Committee invites the Chairman of the Board and Board members to assist in deliberations and the review of policies and practices. The CEO/Managing Director and National Human Resources Manager provide input into the operations of the Committee and attend Committee meetings. Decisions made by the Committee regarding an individual Executive's remuneration are made without that Executive being present.

Specialist remuneration advice is obtained from independent external advisors to ensure the Company's remuneration practices are consistent with the external market.

The Remuneration and Nomination Committee met four times during the financial year.

5. Remuneration Structure- Non-Executive Directors

Remuneration for the Company's Non-Executive Directors is set at levels that fairly reflect the size and complexity of the Company's operations as well as the responsibilities, accountabilities and time commitments of the Directors. To ensure objectivity and impartiality, the remuneration of Non-Executive Directors is not linked to the performance of the Company. Non-Executive Directors do not receive any performance related remuneration and are not entitled to receive performance shares, rights or options over the Company's shares.

Remuneration for the Non-Executive Directors consists of base fees, committee fees and superannuation within a current aggregate fees maximum limit of $1,100,000. Shareholders are asked periodically to approve increases in the aggregate fees limit to allow the Remuneration Policy to be applied as intended for the Company's Non-Executive Directors. The aggregate fees limit was last increased following shareholder approval at the 2007 Annual General Meeting.

The total fees paid to Non-Executive Directors for the financial year were $1,033,100 including superannuation but excluding other on costs as set out in Table 1 on page 24.

The Remuneration and Nomination Committee reviews Non-Executive Director fees annually and submits recommendations to the Board for approval. No increases to Non-Executive Director fees were sought during the financial year.

The Company's Non-Executive Director fee structure provides for a base fee and committee fees for Non-Executive Directors who sit on the Board committees. The Chairman of the Board is not paid any committee fees.

Superannuation contributions of 9% are paid by the Company on behalf of the Non-Executive Directors.

Directors Fee Rates

Role	Annual Fee
Chairman	$282,000
Non-Executive Director	$110,000
Risk Management and Audit Committee- Chair	$46,000
Remuneration and Nominations Committee- Chair	$23,000
Risk Management and Audit Committee- Member	$11,500
Remuneration and Nomination Committee- Member	$6,000

The Non-Executive Directors have 25% of their Non-Executive Director fees applied to the on-market acquisition of shares in the Company (adjusted according to the highest personal income tax rate and Medicare levy, as per the Plan rules).

6. Remuneration Structure- CEO/Managing Director and Executives

The Remuneration Policy is designed to ensure that Executive remuneration packages accurately reflect the Executive's level of experience and responsibility, as well as their individual performance and the performance of the Company. The key principles are:

- Provide market competitive remuneration to attract, motivate and retain high calibre executives
- Link at-risk executive reward to the achievement of the Company's annual performance objectives and the creation of longer term shareholder value
- Motivate and reward superior performers with fair, consistent and competitive incentives
- Promote opportunities for career and professional development
- Foster a partnership between employees and other shareholders through employee ownership of Company shares

6.1 Relationship Between Remuneration and Performance

The Executive Remuneration Framework is designed to align Executive remuneration with personal performance, achievement of strategic objectives and the creation of value for shareholders.

Executive Total Reward comprises Fixed Remuneration (Total Employment Cost or TEC) and At Risk Remuneration, which is made up of Short Term Incentives and Long Term Incentives.

Total Reward						
Total Employment Cost (TEC)	+	Short Term Incentive (STI)	+	Long Term Incentive (LTI)	=	Total Reward (TR)
Fixed		**At risk**				

An appropriate target reward mix is determined for each management level with at risk rewards increasing with the level of responsibility and criticality of the employee's role. The target Total Reward mix for the CEO/Managing Director and Executives is as follows.

Total Reward Mix

Level	**Fixed (%)**	**STI (%)**	**LTI (%)**
CEO/Managing Director	38%	38%	24%
Executives[1]	58%	18%	24%
Senior Managers	91%	9%	0%
Other Employees	100%	0%	0%

The Short Term Incentives and Long Term Incentives have been designed to link Executive reward with Company performance, including earnings and growth in shareholder value.

For the financial year the CEO/Managing Director and Executives have not been awarded any Short Term Incentive payments as a result of the Company not achieving the budgeted Net Profit after Tax KPI.

[1] Includes Key Management Personnel

Furthermore, the CEO/Managing Director's 2004 Long Term Incentive Plan and the CEO/Managing Director and Executive 2006 Long Term Incentive Plans lapsed during the financial year as a result of the performance measure not being met. The CEO/Managing Director and Executives have not and will not receive any payment under these plans. No awards were granted under the Long Term Incentive Plan in 2005.

The table below contains an overview of the company's performance against key annual financial performance indicators over the past 5 years:

Financial Performance Indicator	Financial Year				
	2005/06	**2006/07**	**2007/08**	**2008/09**	**2009/10**
Closing share price $	2.79	2.65	1.50	1.20	0.935
Ordinary Dividends paid (cents per share)[1]	8.0	8.75	7.0	7.0	3.0
Basic EPS (cents per share)	15.6	10.8	8.5	9.4	(40.7)
EBIT ($m)	125.1	168.2	158.6	190.3	(309.0)
NPAT ($m)	104.8	101.8	77.2	80.1	(389.0)

As a result of the Company's financial performance no payments have been made to the CEO/Managing Director and Executives under the Sigma Short Term Incentive Plan for the past 3 financial years. In addition, no performance rights or options have vested for the CEO/Managing Director or Executives during the past five financial years.

The remuneration paid to Key Management Personnel during the financial year is set out in Tables 2 and 3 on pages 25 & 26.

6.2 Fixed Remuneration

Fixed Annual Remuneration or TEC for the CEO/Managing Director and the Executives comprises base salary, company superannuation contributions, and other benefits such as company vehicles, novated lease vehicles and car allowances.

When determining the appropriate TEC for an Executive, consideration is given to the complexity of the role, experience of the employee, performance of the employee, as well as internal and external relativities within the market. External market data is used to benchmark salary levels within similar industries as well as the general market within Australia. Fixed remuneration is set at levels that are competitive within the market and enable the Company to attract and retain high calibre employees to deliver superior performance.

The TEC for the CEO/Managing Director and Executives is reviewed annually. The TEC review takes into account any changes in the scope of the role performed by the individual, the performance of the individual and any changes required to meet the principles of the Remuneration Policy. There are no guaranteed salary increases fixed in any Executive service contracts or for any salaried employee.

An overview of the actual Fixed Remuneration paid during the financial year to the CEO/Managing Director and the Executives identified as Key Management Personnel is as follows:

	Salary	**Non-Monetary Benefits**	**Superannuation Benefits**	**Total Fixed Remuneration Paid**
CEO/Managing Director				
Mr E de Alwis	$965,706	$28,359	$24,163	$1,018,228
Executives				
Mr I Finlay	$360,571	$25,661	$14,371	$400,603
Mr K Jeffs	$196,935	$2,521	$11,070	$210,526
Mr M Smith	$417,874	$3,361	$38,853	$460,088
Ms J Toh	$407,008	$23,654	$14,996	$445,658
Mr S Waller	$313,165	$30,361	$54,163	$397,688
Total	**$2,661,259**	**$113,917**	**$157,615**	**$2,932,791**

[1] Restated for the merger conversion ration of 4.435:1

6.3 Short Term Incentive

The performance of the CEO/Managing Director and Executives is measured against the individual's Key Performance Indicators (KPIs) which are selected for their alignment with the Company's overriding strategy and direction.

The CEO/Managing Director and Executives participated in the STI program during the financial year. The incentive maximum set by the Remuneration and Nomination Committee remained at 100% of TEC for the CEO/Managing Director and 30% of TEC for the Executives as per the previous year. To ensure an appropriate emphasis on the achievement of Company goals, 50% of the total KPIs for the CEO/Managing Director and the Executives were weighted towards the Company's key financial metric for the financial year. Eligibility for payment only arises when the Company's after tax profit meets or exceeds the budget approved by the Board.

Budgeted profit after tax was selected as the appropriate measure for triggering incentive payments due to its clarity in illustrating whether improvements in shareholder returns are being achieved. In the event that the Company does not meet its budgeted profit, no incentive payment is payable.

Once the Company's budgeted profit after tax target is reached the balance of the incentive entitlement is based on the CEO/Managing Director or Executive's ability to meet or exceed individual and business unit KPIs such as departmental financial targets, business development targets, improved operational efficiencies and improved safety performance.

Short Term Incentive payments for the CEO/Managing Director and Executives are recommended by the Remuneration and Nomination Committee to the Board for approval following Board approval of the Company's annual audited financial statements. The Short Term Incentive plan for the CEO/Managing Director and Executives is payable during April of each year. The CEO/Managing Director and Executives must be employed by the Company at the time incentive payments are made in order to be eligible to receive an incentive payment.

The Remuneration and Nomination committee has assessed the performance of the CEO/Managing Director and Executives against the Sigma Pharmaceuticals Limited profit after tax and personal KPIs for the financial year and awarded no incentive payments due to the Company not achieving the budgeted profit after tax KPI.

6.4 Long Term Incentive Plan

The Long Term Incentive Plan (LTI) is designed to link Executive reward with the key performance drivers that underpin sustainable growth in shareholder value. The equity nature of this program ensures there is alignment in the values and behaviours of the Executives with those of shareholders. Since August 2006, the Board has approved an annual LTI for the CEO/Managing Director and Executives based on Performance Rights.

The Performance Rights granted under the LTI are personal to the recipient and cannot be sold, transferred, mortgaged, charged, hedged, made subject to any margin lending arrangement or otherwise disposed of, dealt with or encumbered in any way. Breach of this provision will result in the Performance Rights lapsing immediately, so that no Shares will be allocated in respect of those Performance Rights.

(a) CEO/Managing Director

Tables 4 & 5 on page 27 set out the details relating to the performance rights granted to the CEO/Managing Director as part of the LTI plans. All performance rights form part of the CEO/Managing Director's At Risk remuneration. The extent to which these performance rights will vest is wholly dependent upon the extent to which performance hurdles are achieved. During the financial year the CEO/Managing Director's 2004 and 2006 LTI plans lapsed and no other performance rights were available for vesting during the financial year.

The terms and conditions of these performance rights affecting remuneration in this or future reporting periods are described below:

Performance Rights granted in October 2004

At the May 2004 Sigma Company Limited Annual General Meeting shareholders approved the issue of one million performance rights to the CEO/Managing Director. These performance rights were reissued at the time of the Arrow Pharmaceuticals Ltd merger as per the 2005 merger ratio.

Each performance right entitled the CEO/Managing Director to be provided with one fully paid ordinary share in the Company upon exercise. No amount is payable by the CEO/Managing Director in respect of the grant or exercise of performance rights.

These performance rights were granted under a 5-year plan, with the performance rights potentially vesting in three tranches on the 3^{rd}, 4^{th} and 5^{th} anniversary of the date of issue. Vesting is subject to the Company meeting two performance hurdles.

The first performance hurdle relates to the absolute Total Shareholder Return (TSR) performance of the Company and with vesting being dependent upon the Company growing over each performance period by a specified minimum percentage level.

The second performance hurdle relates to the relative TSR performance of the Company, with vesting dependent upon the percentile ranking of the Company relative to a comparator group, comprised of the companies in the S&P/ASX 200 index at the date of grant of the performance rights.

On October 7 2009 the performance period for this LTI plan concluded. The Company's absolute and relative TSR performance was assessed and it was determined that these performance measures were not met. Therefore, the performance rights granted under this LTI Plan have lapsed. Therefore, no payment has been made or will be made to the CEO/Managing Director under this plan.

Performance Rights granted in November 2006, October 2007, October 2008 and November 2009

At the 2006, 2007, 2008 and 2009 Annual General Meetings, shareholders approved the grant of further performance rights to the CEO/Managing Director. The number of rights granted each year is specified in table 4 on page 27.

Each performance right entitled the CEO/Managing Director to be provided with one fully paid ordinary share in the Company upon exercise.

Each of the performance right plans are subject to two separate performance conditions, relating to relative TSR performance and Earnings Per Share (EPS). Each performance condition applies to one half (50%) of the total number of performance rights granted to the CEO/Managing Director.

TSR was selected as an appropriate performance measure as it aligns the interest of shareholders and Executives by linking rewards to the level of return that shareholders make on their investment in the Company. EPS was selected as an appropriate performance measure as it ensures that Executive reward only occurs when the share price rises.

The relative TSR performance condition is assessed three (3) years from the grant date and is calculated on the basis of the Company's relative TSR ranking at the end of that period (using the average closing share price over the three (3) month period prior to that date) in comparison with the TSR performance of the comparator group of companies (S&P/ASX 100 index for the 2006, 2007, 2008 LTI plans; S&P/ASX 200 index for the 2009 LTI plan) over the same period. The Company's relative TSR ranking must be, as a minimum, at the 50^{th} percentile of the comparator group of companies at the end of the performance period to permit vesting of any performance rights that are subject to the relative TSR performance measure.

The second performance condition requires an increase in the Company's EPS. It depends on the average compound growth rate in the Company's basic EPS over the three (3) year period commencing from the end of the financial year preceding the Grant Date.

The percentage of performance rights which vest depends on the percentage average compound growth rate in EPS. A minimum average annual compound growth rate of 9% in EPS over the performance period is required before any vesting can occur. Any performance rights for which the Performance Conditions are not satisfied will expire on completion of the relevant performance period.

The performance period for the 2006 LTI plan concluded on 31 October 2009. The Company's relative TSR and EPS performance was assessed and it was determined that these performance measures were not met. Therefore, the performance rights granted under the 2006 LTI plan have lapsed. Therefore, no payment has been made or will be made to the CEO/Managing Director under this plan.

The performance period for the 2007, 2008 and 2009 LTI plan is still in progress and no payments were made under these plans during the financial year.

(b) Executives

In 2006, 2007, 2008 and 2009 the Board approved the issue of performance rights to Executives. The performance rights are subject to the same conditions as those issued to the CEO/Managing Director for the relevant years (described above).

During the financial year the 2006 LTI plan lapsed. Therefore, no payment has been made or will be made to Executives under this plan. No other performance rights were available for vesting during the financial year.

The performance rights issued to, and held by, Key Executive Personnel can be found in Table 4 & 5 on pages 27.

6.5 Remuneration Policy - Employees

All salaried positions within the Company are valued based on job evaluation methodology, and allocated into job grades accordingly. The evaluation process takes into account the size of the role, the accountabilities, the complexity of the role as well as the experience required to perform the role at a satisfactory level. The remuneration of the job grades takes into account the level of the role and external factors such as economic conditions and market rates. Therefore, a salaried employee's position in the job grade is determined by internal and external relativities, performance and experience.

The remuneration of all salaried roles is reviewed annually. There are no guaranteed TEC increases fixed in any salaried employee's service contracts.

7. Shareholdings

7.1 Non-Executive Directors

The Non-Executive Directors' Share Plan was approved by Sigma Company Limited shareholders at its Annual General Meeting in 1998. The Non-Executive Directors' share plan requires that at least 25% of each Non-Executive Director's fees be taken in the form of shares, purchased on market (adjusted according to the highest personal income tax rate and Medicare levy, as per the Plan rules).

Table 6 on page 28 sets out the shareholdings of each Director during the financial year.

7.2 Executives

Table 6 on page 28 sets out the shareholdings of the Key Executive Personnel during the financial year.

7.3 Other Employees

The Company has a performance oriented culture that the remuneration policies drive and support. The Company encourages all employees at all levels to hold shares in Sigma, to align their interests with those of the shareholders. In 2008, the Company offered all employees (except Non-Executive Directors and CEO/Managing Director), the opportunity to buy 4,000 Sigma shares with an interest free loan, and had a take up of 755 acceptances for a total of 2,954,000 shares.

8. Retirement Benefits

8.1 Non-Executive Directors Retirement Plan

In January 2006, the Non-Executive Directors resolved to discontinue the Director's retirement benefit plan. Benefits accrued under the plan were calculated and, at the choice of the relevant Director, converted into shares or paid into the Director's superannuation fund. The table below sets out the balance of accrued retirement benefits for Non-Executive Directors under the discontinued Director's retirement benefit plan.

Non-Executive Director	Financial Year	$ Accumulated Retirement Benefits Balance at 01/02/09	$ Increase in Retirement Benefits	$ Retirement Benefits Paid	$ Accumulated Retirement Benefits Balance at 31/01/10
Dr J Stocker AO	2009/10	456,062	15,283	-	471,345
	2008/09	423,461	32,601	-	456,062
Mr D Bayes	2009/10	-	-	-	-
	2008/09	-	-	-	-
Mr D Curlewis	2009/10	-	-	-	-
	2008/09	-	-	-	-
Mr B Jamieson	2009/10	-	-	-	-
	2008/09	-	-	-	-
Ms L Nicholls AO	2009/10	156,595	5,247	-	161,842
	2008/09	145,401	11,194	-	156,595
Mr D Manuel	2009/10	-	-	-	-
	2008/09	-	-	-	-
Mr W Scott	2009/10	-	-	-	-
	2008/09	-	-	-	-
Total	**2009/10**	**612,657**	**20,530**	**-**	**633,187**
	2008/09	**568,862**	**43,795**	**-**	**612,657**

8.2 Executive Retirements Benefits

The Company participates in a number of Superannuation Funds, which provide retirement benefits and insurance arrangements including both death in service and salary continuance benefits. The Company's default superannuation plan operates within the Plum Superannuation Master Trust structure which provides a wide range of investment choices for members.

In addition to the default Company fund, the Company complies with Choice of Fund legislation and accordingly contributes to a number of individual employee funds where an Executive has exercised choice. All funds in which the Company participates are administered on an accumulation basis. Contributions are required to at least equal the minimum set down in the superannuation guarantee legislation.

8.3 Other Employees

The Company contributes to various accumulation funds, with the majority of employees nominating Plum Superannuation Master Trust.

Workplace Agreement covered employees have a choice of superannuation funds as specified in their Agreement, which individual employees nominate for their contributions.

9. Service Agreements

9.1 Non-Executive Directors

On appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of Director.

9.2 CEO/Managing Director

Mr. Elmo de Alwis, CEO and Managing Director, is the only Executive Director in office. Mr. de Alwis entered into a new contract of employment as CEO and Managing Director of the Company on 5 December 2005. This contract had an initial fixed term of three years and thereafter, became ongoing with no requirement for a new contract to be issued.

Mr. de Alwis' contract of employment may be terminated by the Company without cause on the provision of twelve months notice. Mr. de Alwis can terminate the contract without cause on the provision of six month's notice. If the Company were to terminate the employment of Mr. de Alwis it could, at its discretion, make a payment in lieu of notice equivalent to the amount Mr. de Alwis would have earned had he served out his notice period.

Notice Period

CEO and MD	Commencement Date	Notice Period by Company	Notice Period by Employee
Mr. E de Alwis	4 April 1977	12 months	6 months

Where termination payments are made in line with these provisions such payments will be based on the TEC of Mr. de Alwis. Mr. de Alwis will also be entitled to any accrued entitlements including annual and long service leave. Payment of leave entitlements would be based on the TEC less superannuation entitlements.

9.2 Executives

Remuneration and employment arrangements for each Executive are detailed in individual service contracts. Service contracts specify the components of remuneration to be paid to the Executive and the terms of employment. Remuneration levels are reviewed each year and take into account performance, economic factors, changes in the scope of the role and market based changes. There are no set increases for remuneration.

Termination of employment for Executives is made in accordance with contractual obligations or in accordance with legal advice. Service contracts generally do not have fixed terms but, provide for minimum periods of notice. Each contract provides for termination of employment without notice in circumstances sufficient to warrant summary termination.

Notice Periods

Key Executive Personnel	Commencement Date	Notice Period by Company	Notice Period by Employee
Mr. Ian Finlay	27 Jan 2009	6 months	3 months
Mr. Keith Jeffs	22 April 2009	6 months	3 months
Mr. Mark Smith	21 Jan 2008	6 months	3 months
Ms. Jackie Toh	15 Aug 1988	12 months	1 month
Mr. Steven Waller	29 Jan 2008	6 months	3 months

9.3 Other Employees

Salaried employees are employed under individual letters of offer which stipulate the terms of employment and the components of their remuneration package.

Non-salaried employees are covered by a range of Workplace Agreements including:

- Sigma (Victoria) Workplace Agreement 2007
- Sigma Pharmaceuticals (Aust) Pty Ltd – Croydon (Technical Assistants) Workplace Agreement 2008
- Sigma/NUW (Dandenong, Victoria) Certified Agreement 2008
- Sigma Pharmaceuticals (Aust) Pty Ltd Engineering Agreement 2008-2011
- Bristol-Myers Squibb Pharmaceuticals NUW & AMWU Enterprise Agreement 2006
- Sigma (SA/NT) Enterprise Agreement 2009-2011
- Sigma (Western Australia) Collective Agreement 2008-2010
- Sigma (Tasmania) Certified Agreement 2005
- Sigma (New South Wales) Workplace Agreement 2009
- Sigma Pharmaceuticals (Baulkham Hills) Workplace Agreement 2009
- Sigma (North Queensland) Certified Agreement 2008
- Sigma (South/Central Queensland) Certified Agreement 2008
- Sigma Herron (Tennyson) Workplace Agreement 2007

Details of the Workplace Agreements are available on the Fair Work Australia internet site www.fwa.gov.au

10. Loans to Directors and Executives

There were no loans to the Directors during the financial year.

There were no loans to Executives during the financial year, except as allowed under the Employee Share Plan.

TABLE 1: Directors Remuneration – Year Ended 31 January 2010

		Short-term Benefits				Post-employment Benefits			Share Benefits	
	Financial Year	Salary and Base Fees	Committee Fees	Short-term Incentives[1]	Non-Monetary Benefits[2]	Superannuation Benefits	Increase in Retirement Benefits[3]	Total Remuneration excluding value in Performance Rights	Value in Performance Rights[4]	Total Remuneration including value in Performance Rights
		$	$	$	$	$	$	$	$	$
Managing Director										
Mr E de Alwis	2009/10	965,706	-	-	28,359	24,163	-	1,018,228	388,480	1,406,708
	2008/09	970,249	-	-	28,171	13,488	-	1,011,908	765,133	1,777,041
Non-Executive Directors										
Dr J Stocker AO	2009/10	282,000	-	-	3,361	15,267	15,283	315,911	-	315,911
	2008/09	277,637	-	-	3,173	13,488	32,601	326,899	-	326,899
Mr D Bayes	2009/10	110,000	6,000	-	3,361	9,038	-	128,399	-	128,399
	2008/09	108,334	5,833	-	3,173	9,341	-	126,681	-	126,681
Mr D Curlewis	2009/10	110,000	11,500	-	3,361	9,467	-	134,328	-	134,328
	2008/09	108,334	11,333	-	3,173	9,791	-	132,631	-	132,631
Mr B Jamieson	2009/10	110,000	34,500	-	3,361	10,757	-	158,618	-	158,618
	2008/09	108,334	34,000	-	3,173	9,607	-	155,114	-	155,114
Ms L Nicholls AO	2009/10	109,998	46,000	-	3,361	11,613	5,247	176,219	-	176,219
	2008/09	108,332	45,333	-	3,173	10,373	11,194	178,405	-	178,405
Mr D Manuel[5]	2009/10	29,615	-	-	840	2,308	-	32,763	-	32,763
	2008/09	-	-	-	-	-	-	-	-	-
Mr W Scott	2009/10	109,998	6,000	-	3,361	9,038	-	128,397	-	128,397
	2008/09	108,332	5,833	-	3,173	9,341	-	126,679	-	126,679
Total Directors	**2009/10**	**1,827,317**	**104,000**	**-**	**49,365**	**91,652**	**20,530**	**2,092,864**	**388,480**	**2,481,344**
	2008/09	**1,789,552**	**102,332**	**-**	**47,209**	**75,429**	**43,795**	**2,058,317**	**765,133**	**2,823,450**

1 Represents amounts in respect to the short term incentive plan at year end as described in section 6.
2 Non-monetary benefits include where applicable, car allowances, non-cash benefits, fringe benefits tax paid on non-cash benefits and amounts paid for directors and officers cover.
3 Interest on accrued retirement benefits as described in section 8.1.
4 Value of performance rights is calculated using the Monte-Carlo option pricing model. The values of the performance rights under the above method are allocated evenly over the vesting period.
5 Commenced 26 October 2009.

TABLE 2: Key Executive Personnel Remuneration – Year Ended 31 January 2010[1]

		Short-term Benefits			Post-employment Benefits			Total Remuneration excluding value in Performance Rights	Share Benefits	Total Remuneration including value in Performance Rights
	Financial Year	Salary and Base Fees	Short-term Incentives[2]	Non-Monetary Benefits[3]	Superannuation Benefits	Termination Benefits[4]	Other Termination Benefits[5]		Value in Performance Rights[6]	
		$	$	$	$	$	$	$	$	$
Executives										
Mr I Finlay[7]	2009/10	360,571	-	25,661	14,371	-	-	400,603	6,291	406,894
	2008/09	6,349	-	61	-	-	-	6,410	-	6,410
Mr K Jeffs[8]	2009/10	196,935	-	2,521	11,070	-	-	210,526	4,325	214,851
	2008/09	-	-	-	-	-	-	-	-	-
Mr M Smith	2009/10	417,874	-	3,361	38,853	-	-	460,088	49,454	509,541
	2008/09	397,922	-	3,173	28,085	-	-	429,180	10,602	439,782
Ms J Toh	2009/10	407,008	-	23,654	14,996	-	-	445,658	38,840	484,498
	2008/09	401,233	-	25,334	13,488	-	-	440,055	64,588	504,643
Mr S Waller	2009/10	313,165	-	30,361	54,163	-	-	397,688	44,276	441,965
	2008/09	330,338	-	25,673	55,704	-	-	411,715	9,505	421,220
Former Executives										
Mr A Bell[9]	2009/10	-	-	-	-	-	-	-	-	-
	2008/09	60,412	-	1,587	51,323	164,565	9,329	287,216	-	287,216
Mr C Tangalakis[10]	2009/10	-	-	-	-	-	-	-	-	-
	2008/09	326,969	-	38,416	32,223	-	32,170	429,778	-	429,778
Total Key Executive Personnel	2009/10	**1,695,553**	**-**	**85,558**	**133,452**	**-**	**-**	**1,914,563**	**143,186**	**2,057,749**
	2008/09	**1,523,223**	**-**	**94,244**	**180,823**	**164,565**	**41,499**	**2,004,354**	**84,695**	**2,089,049**

[1] Includes persons who were Key Management Personnel in the year ended 31 January 2010.
[2] Represents amounts in respect to the short term incentive plan at year end as described in section 6.
[3] Non-monetary benefits include where applicable, car allowances, non-cash benefits, fringe benefits tax paid on non-cash benefits and amounts paid for directors and officers cover.
[4] Includes payments made to Key Management Personnel in lieu of notice (as per service contract)
[5] Includes payments of accrued annual leave and long service leave.
[6] Value of performance rights is calculated using the Monte-Carlo option pricing model. The values of the performance rights under the above method are allocated evenly over the vesting period.
[7] Remuneration for 2008/09 is for the period of 27 January 2009 (commencement date) to 31 January 2009.
[8] Remuneration included for the period of 22 April 2009 (commencement date) to 31 January 2010.
[9] Mr. Alex Bell resigned effective 30 June 2008.
[10] Mr Con Tangalakis resigned effective 19 December 2008.

TABLE 3: Total Remuneration for Key Management Personnel– Year Ended 31 January 2010

		Short-term Benefits				Post-employment Benefits				Total	Share Benefits	
	Financial Year	**Salary and Base Fees**	**Committee Fees**	**Short-term Incentives**	**Non-Monetary Benefits**	**Superannuation Benefits**	**Increase in Retirement Benefits**	**Termination Benefits**	**Other Termination Benefits**	**Remuneration excluding value in Performance Rights**	**Value in Performance Rights**	**Total Remuneration Including Value in Performance Rights**
		$	$	$	$	$	$	$	$	$	$	$
Total Directors	2009/10	1,827,317	104,000	-	49,365	91,652	20,530	-	-	2,092,864	388,480	2,481,344
	2008/09	1,789,552	102,332	-	47,209	75,429	43,795	-	-	2,058,317	765,133	2,823,450
Total Key Executive Personnel	2009/10	1,695,553	-	-	85,558	133,452	-	-	-	1,914,563	143,186	2,057,749
	2008/09	1,523,223	-	-	94,244	180,823	-	164,565	41,499	2,004,354	84,695	2,089,049
Total Key Management Personnel	**2009/10**	**3,522,870**	**104,000**	**-**	**134,923**	**225,104**	**20,530**	**-**	**-**	**4,007,427**	**531,666**	**4,539,094**
	2008/09	**3,312,775**	**102,332**	**-**	**141,453**	**256,252**	**43,795**	**164,565**	**41,499**	**4,062,671**	**849,828**	**4,912,499**

TABLE 4: Performance Rights Granted to CEO/MD and Key Executive Personnel that Lapsed during the Financial Year

	Grant Date	Number of Share Rights Issued	Exercise Price/ Amount Payable	Fair Value per Share Right at Grant Date[1]	Exercise Date[2]	Share Right Balance at 01/02/09	Number of Share Rights lapsed during year	Total Value of Share Rights lapsed	Share Right Balance at 31/01/10
Managing Director									
Mr E de Alwis	1/11/2006	200,735	-	$1.85	31/01/09 & 31/10/09[3]	200,735	200,735	$371,360	-
	7/10/2004	2,217,500[4]	-	$0.82	7/10/2009	2,217,500	2,217,500	$1,818,350	-
	7/10/2004	1,108,750[4]	-	$0.95	7/10/2008	1,108,750	1,108,750	$1,053,313	-
	7/10/2004	1,108,750[4]	-	$1.06	7/10/2007	1,108,750	1,108,750	$1,175,275	-
Executives									
Ms J Toh	1/11/2006	50,000	-	$1.85	31/01/09 & 31/10/09[3]	50,000	50,000	$92,500	-

[1] The fair value of performance rights is not the price that shares were traded at. Rather, it is calculated using the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of performance hurdles that must be met before the shares can vest. The calculation is performed independently by Mercer (Australia).
[2] Performance rights granted to the CEO/Managing Director and Key Executive Personnel will only vest after satisfying the performance criteria outlined in section 6.
[3] The EPS Growth performance condition is tested at 31 January; the TSR performance condition is tested on the 3rd anniversary of the grant date.
[4] Reissued and adjusted for the merger conversion ration of 4.435 Sigma Pharmaceuticals Limited (Formerly Arrow Pharmaceuticals Limited) shares for every 1 Sigma Company Limited share upon the merger of the two companies effective 5th December 2005.

TABLE 5: Performance Rights Granted to CEO/MD and Key Executive Personnel that were not available for Vesting during the Financial Year

	Grant Date	Number of Share Rights Issued	Exercise Price/ Amount Payable	Fair Value per Share Right at Grant Date[1]	Exercise Date[2]	Share Right Balance at 01/02/09	Number of Share Rights vested or exercised during year	Total Value of Share Rights at Grant Date	Share Right Balance at 31/01/10
Managing Director									
Mr E de Alwis	31/11/09	621,840	-	$0.70	30/11/2012	-	-	$435,288	621,840
	31/10/2008	456,968	-	$0.96	31/01/11 & 31/10/11[3]	456,968	-	$438,689	456,968
	26/10/2007	399,912	-	$1.04	31/01/10 & 26/10/10[3]	399,912	-	$415,908	399,912
Executives									
Mr I Finlay	31/11/09	161,779	-	$0.70	30/11/2012	-	-	$113,245	161,779
Mr K Jeffs	31/11/09	111,223	-	$0.70	30/11/2012	-	-	$77,856	111,223
Mr M Smith	31/11/09	181,213	-	$0.70	30/11/2012	-	-	$126,849	181,213
	31/10/2008	132,520	-	$0.96	31/01/11 & 31/10/11[3]	132,520	-	$127,219	132,520
Ms J Toh	31/11/09	180,588	-	$0.70	30/11/2012	-	-	$126,412	180,588
	31/10/2008	133,358	-	$0.96	31/01/11 & 31/10/11[3]	133,358	-	$128,024	133,358
	26/10/2007	122,670	-	$1.04	31/01/10 & 26/10/10[3]	122,670	-	$127,577	122,670
Mr S Waller	31/11/09	160,889	-	$0.70	30/11/2012	-	-	$112,622	160,889
	31/10/2008	118,811	-	$0.96	31/01/11 & 31/10/11	118,811	-	$114,059	118,811

[1] The fair value of performance rights is not the price that shares were traded at. Rather, it is calculated using the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of performance hurdles that must be met before the shares can vest. The calculation is performed independently by Mercer (Australia).
[2] Performance rights granted to the CEO/Managing Director and Key Executive Personnel will only vest after satisfying the performance criteria outlined in section 6.
[3] The EPS Growth performance condition is tested at 31 January; the TSR performance condition is tested on the 3rd anniversary of the grant date.

TABLE 6: Equity Holdings of Key Management Personnel

	Number of shares at 01/02/09	Number of shares acquired through Share Plans during the year	Number of shares purchased during the year (excluding share plans)	Number of shares sold during the year	Number of shares at 31/01/10
Directors					
Dr J Stocker AO	285,040	37,121[25]	-	-	322,161
Mr E de Alwis	1,817,592	-	605,865	-	2,423,457
Mr D Bayes	39,457	15,270[1]	20,118	-	74,845
Mr D Curlewis	37,710	15,994[1]	-	-	53,704
Mr B Jamieson	107,621	27,107[1]	52,292	-	187,020
Mr D Manuel	10,252	-	4,406	-	14,658
Ms L Nicholls AO	238,440	29,264[1]	110,250	-	377,954
Mr W Scott	4,656,393	15,270[1]	1,580,298	-	6,251,961
Total for Directors	**7,192,505**	**140,026**	**2,373,229**	**-**	**9,705,760**
Key Executive Personnel					
Mr I Finlay	-	-	-	-	-
Mr K Jeffs	-	4,000[26]	10,000	-	14,000
Mr M Smith	54,000	4,000[2]	18,001	-	76,001
Ms J Toh	26,703	4,000[2]	69	-	30,772
Mr S Waller	-	-	-	-	-
Total for Key Executive Personnel	**80,703**	**12,000**	**28,070**	**-**	**120,773**
Total for Key Management Personnel	**7,273,208**	**152,026**	**2,401,299**	**-**	**9,826,533**

[25] Represents shares purchased on-market under the non-Executive Director Share Plan.
[26] Represents shares allotted under the Sigma Employee Share Plan.

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Auditor's Independence Declaration

As lead auditor for the audit of Sigma Pharmaceuticals Limited for the year ended 31 January 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sigma Pharmaceuticals Limited and the entities it controlled during the period.

Mary B. Waldron

Mary Waldron
Partner
PricewaterhouseCoopers

Melbourne
31 March 2010

Statements of comprehensive income

For the year ended 31 January 2010

	Notes	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Sales revenue	4	**3,220,430**	3,081,287	**308,108**	354,589
Cost of goods sold		**(2,890,891)**	(2,706,761)	**(241,511)**	(298,198)
Gross profit		**329,539**	374,526	**66,597**	56,391
Other revenue and income	4	**51,110**	43,458	**50,373**	48,097
Warehousing and delivery expenses		**(73,567)**	(69,255)	**(2,554)**	(3,434)
Sales and marketing expenses		**(91,987)**	(88,748)	**(26,150)**	(26,612)
Administration expenses		**(73,570)**	(65,163)	**(8,922)**	(8,302)
Share of net losses from equity accounted investment	12	**(140)**	(266)	**-**	-
Impairment in joint venture investment	12	**(1,221)**	-	**-**	-
Impairment of other intangibles	14	**(12,920)**	-	**(10,124)**	-
Impairment of Gateway loans	10	**(2,500)**	-	**-**	-
Impairment of investments held in subsidiary companies	12	**-**	-	**(703,335)**	-
Impairment of goodwill	14	**(424,230)**	-	**-**	-
Plant rationalisation and restructuring costs	5	**(9,509)**	(4,292)	**(1,521)**	(455)
(Loss)/Profit before financing costs		**(308,996)**	190,260	**(635,636)**	65,685
Financial income	6	**822**	1,201	**584**	150
Financial expenses	6	**(72,925)**	(77,917)	**(3,993)**	(3,208)
Net financing costs	6	**(72,103)**	(76,716)	**(3,409)**	(3,058)
(Loss)/Profit before income tax		**(381,099)**	113,544	**(639,045)**	62,627
Income tax (expense)/benefit	7	**(7,943)**	(33,420)	**(7,472)**	(7,032)
(Loss)/Profit for the year		**(389,042)**	80,124	**(646,517)**	55,595
Other comprehensive income					
Changes in the fair value of cash flow hedges		**31,816**	(45,274)	-	-
Exchange differences on translation of foreign operations		**(19)**	637	-	-
Income tax relating to components of other comprehensive income	15	**(9,539)**	13,391	-	-
Other comprehensive income for the year, net of tax		**22,258**	(31,246)	-	-
Total comprehensive income/(loss) for the year		**(366,784)**	48,878	**(646,517)**	55,595

(Loss)/Earnings per shares (EPS)	**Notes**	**Cents**	**Cents**
Basic EPS	9	**(40.7)**	9.4
Diluted EPS	9	**(40.7)**	9.2

The above Statements of Comprehensive Income are to be read in conjunction with the accompanying Notes to the Financial Statements.

Statements of financial position

As at 31 January 2010

		Consolidated		The Company	
		2010	2009	**2010**	2009
	Notes	**$'000**	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	30 (a)	**14,418**	(1,189)	**33,184**	33,184
Receivables	10	**346,002**	309,671	**352,162**	47,298
Inventories	11	**343,918**	325,404	**-**	-
Derivative financial instruments	32	**1,180**	1,367	**-**	-
Prepayments		**10,358**	8,745	**708**	550
Total current assets		**715,876**	643,998	**386,054**	81,032
Non-current assets					
Receivables	10	**-**	-	**18,950**	16,285
Gateway loans receivable	10	**43,274**	-	**-**	-
Derivative financial instruments	32	**3,069**	123	**-**	-
Investment in subsidiaries	12	**-**	-	**1,036,311**	1,739,646
Investments accounted for using the Equity Method	12	**-**	1,292	**-**	-
Property, plant and equipment	13	**225,091**	182,268	**68**	308
Intangible assets	14	**888,521**	1,332,744	**20,815**	29,245
Deferred tax assets	15	**50,215**	41,039	**4,503**	959
Total non-current assets		**1,210,170**	1,557,466	**1,080,647**	1,786,443
Total assets		**1,926,046**	2,201,464	**1,466,701**	1,867,475
Current liabilities					
Payables	16	**407,763**	404,364	**203,309**	187,115
Interest bearing liabilities – Gateway	17	**42,793**	-	**-**	-
Interest bearing liabilities	17	**279,407**	211,697	**-**	-
Current income tax liabilities		**5,360**	15,852	**7,609**	15,852
Derivative financial instruments	32	**4,667**	23,307	**-**	-
Provisions	18	**19,684**	12,860	**1,793**	1,860
Deferred income		**1,921**	-	**-**	-
Total current liabilities		**761,595**	668,080	**212,711**	204,827
Non-current liabilities					
Payables	16	**-**	-	**11,861**	11,861
Interest bearing liabilities	17	**-**	226,000	**-**	-
Deferred tax liabilities	15	**94,012**	90,480	**7,817**	7,494
Derivative financial instruments	32	**1,616**	17,942	**-**	-
Provisions	18	**1,368**	1,030	**107**	147
Deferred income		**501**	-	**-**	-
Total non-current liabilities		**97,497**	335,452	**19,785**	19,502
Total liabilities		**859,092**	1,003,532	**232,496**	224,329
Net assets		**1,066,954**	1,197,932	**1,234,205**	1,643,146
Equity					
Issued capital	19	**1,390,492**	1,083,578	**1,919,708**	1,612,794
Issued capital held by equity compensation plan	20	**(22,926)**	(20,261)	**-**	-
Reserves	21	**3,128**	(19,582)	**3,384**	2,932
Retained (losses)/earnings		**(303,740)**	154,197	**(688,889)**	27,420
Total Equity		**1,066,954**	1,197,932	**1,234,205**	1,643,146

The above Statements of Financial position are to be read in conjunction with the accompanying Notes to the Financial Statements.

Cash Flow Statements

For the year ended 31 January 2010

		Consolidated		The Company	
		2010	**2009**	**2010**	2009
	Notes	**$'000**	**$'000**	**$'000**	$'000
Inflows(outflows)					
Cash flows from operating activities					
Receipts from customers		**3,541,568**	3,427,900	**351,865**	399,546
Payments to suppliers and employees		**(3,417,042)**	(3,077,241)	**(296,898)**	(364,856)
Interest received – third parties		**822**	1,201	**584**	150
Interest paid – third parties		**(77,074)**	(81,206)	**-**	-
Interest paid – controlled entities		**-**	-	**(3,993)**	(3,208)
Dividends received – controlled entities		**-**	-	**40,000**	40,000
Income taxes refunded/(paid)		**(29,051)**	(24,774)	**(18,935)**	6,176
Net cash flows from operating activities	30 (b)	**19,224**	245,880	**72,623**	77,808
Cash flows from investing activities					
Acquisition of subsidiary Orphan Holdings Pty Ltd, net of cash acquired	30 (c)	**-**	(131,116)	**-**	-
Asset and Business acquisition, BMS	30 (c)	**(70,001)**	-	**-**	-
Investment in Sigma Rewards		**(3,222)**	(9,806)	**-**	-
Proceeds from sale of property, plant and equipment		**17,530**	5,558	**-**	-
Return of capital from equity accounted investments		**-**	150	**-**	-
Payments for investment in joint venture		**-**	-	**-**	-
Payments for additions of:					
- Property, plant and equipment		**(18,031)**	(9,228)	**(71)**	(73)
- Trademarks and licence fees		**-**	(21,700)	**-**	(5,500)
- Development costs		**(3,975)**	(2,910)	**(3,937)**	(2,888)
Net cash flows used in investing activities		**(77,699)**	(169,052)	**(4,008)**	(8,461)
Cash flows from financing activities					
Proceeds from issue of shares net of issue costs	19	**290,522**	-	**290,522**	-
Proceeds from redemption of shares under Sigma Employee share plan		**286**	1,307	**286**	1,307
Net proceeds / (repayments) of borrowings		**(161,270)**	(31,079)	**-**	-
Net proceeds/(repayments) of loans from controlled entities		**-**	-	**(303,072)**	(16,060)
Dividend paid	8	**(55,456)**	(53,907)	**(56,351)**	(54,598)
Net cash flows used in financing activities		**74,082**	(83,679)	**(68,615)**	(69,351)
Net (decrease)/increase in cash and cash equivalents		**15,607**	(6,851)	**-**	(4)
Cash and cash equivalents held at the beginning of the financial period		**(1,189)**	5,662	**33,184**	33,188
Effects of exchange rate changes on cash and cash equivalents		**-**	-	**-**	-
Cash and cash equivalents at the end of the financial period	30 (a)	**14,418**	(1,189)	**33,184**	33,184

The above Cash Flow Statements are to be read in conjunction with the accompanying Notes to the Financial Statements.

Statements of Changes in Equity

For the year ended 31 January 2010

Consolidated	Note	Issued Capital $'000	Issued capital held by Equity Compensation Plan $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 February 2008		1,074,470	(18,215)	10,663	133,735	1,200,653
Total comprehensive income for the year		-	-	(31,246)	80,124	48,878
Transactions with equity holders in their capacity as equity holders:						
Issue of ordinary shares – Employee Share Plan	19	3,353	(3,353)	-	-	-
Issue of ordinary shares – dividend reinvestment plan	8	5,755	-	-	-	5,755
Movements in:						
- Unvested shares held by equity compensation plan	20	-	1,307	-	-	1,307
- Share-based remunerations plans	21	-	-	1,001	-	1,001
Dividends appropriated	8	-	-	-	(59,662)	(59,662)
Balance at 31 January 2009		1,083,578	(20,261)	(19,582)	154,197	1,197,932
Total comprehensive income for the year		**-**	**-**	**22,258**	**(389,042)**	**(366,784)**
Transactions with equity holders in their capacity as equity holders:						
Issue of ordinary shares – Employee Share Plan	19	**2,950**	**(2,950)**	**-**	**-**	**-**
Issue of ordinary shares – dividend reinvestment plan	8	**13,442**	**-**	**-**	**-**	**13,442**
Issue of ordinary shares – capital raising		**290,522**	**-**	**-**	**-**	**290,522**
Movements in:						
- Unvested shares held by equity compensation plan	20	**-**	**285**	**-**	**-**	**286**
- Share-based remunerations plans	21	**-**	**-**	**452**	**-**	**452**
Dividends appropriated	8	**-**	**-**	**-**	**(68,897)**	**(68,897)**
Balance at 31 January 2010		**1,390,492**	**(22,926)**	**3,128**	**(303,740)**	**1,066,954**

The Company	Note	Issued Capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 February 2008		1,603,686	2,118	32,178	1,637,982
Total comprehensive income for the year		-	-	55,595	55,595
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary shares – Employee Share Plan		3,353	-	-	3,353
Issue of ordinary shares – dividend reinvestment plan	19	5,755	-	-	5,755
Movements in:					
- Share-based remunerations plans	21	-	814	-	814
Dividends appropriated	8	-	-	(60,353)	(60,353)
Balance at 31 January 2009		1,612,794	2,932	27,420	1,643,146
Total comprehensive income for the year		**-**	**-**	**(646,517)**	**(646,517)**
Transactions with equity holders in their capacity as equity holders:					
Issue of ordinary shares – Employee Share Plan	19	**2,950**	**-**	**-**	**2,950**
Issue of ordinary shares – dividend reinvestment plan	8	**13,442**	**-**	**-**	**13,442**
Issue of ordinary shares – capital raising		**290,522**	**-**	**-**	**290,522**
Movements in:					
- Share-based remunerations plans	21	**-**	**452**	**-**	**452**
Dividends appropriated	8	**-**	**-**	**(69,792)**	**(69,792)**
Balance at 31 January 2010		**1,919,708**	**3,384**	**(688,889)**	**1,234,205**

Note: All items in the Statements of Changes in Equity are net of tax.

The above Statements of Changes in Equity are to be read in conjunction with the accompanying Notes to the Financial Statements.

Contents

Notes to the Financial Statements

For the year ended 31 January 2010

1. Basis of Financial Report Preparation

(a) Significant accounting policies

Sigma Pharmaceuticals Limited (the "Company") is a company domiciled in Australia. This financial report was authorised for issue by the directors on 31 March 2010.

Sigma Pharmaceuticals Limited is the parent entity of the merged group from a Corporations Law perspective. However, under the requirements of Australian Accounting Standard AASB 3 Business Combinations, Sigma Company Limited was deemed the acquirer of Sigma Pharmaceuticals Limited (accounted for as a reverse acquisition in accordance with AASB 3). The consolidated financial statements represent a continuation of the financial statements of the Sigma Company Limited Group (the 'Group').

(b) Going concern

The Group reported a net loss after tax for the financial year of $389,042,000 (including goodwill impairment of $424,230,000), and the Company incurred a loss of $646,517,000 (including impairment of $703,335,000 of the Company's investment in subsidiaries).

As a result of the significant write-downs in asset values, particularly in relation to goodwill, at 31 January 2010 the Group had breached particular borrowing covenants relating to its syndicated banking facility which resulted in associated cross default under Sigma's Waratah Trade Receivables Securitisation Program. Following this breach, borrowings amounting to $279,407,000 were reclassified as current liabilities as at 31 January 2010 because the lenders had the right, but not the obligation, to demand immediate repayment of the facility. As a result of this reclassification the Group had a working capital deficiency of $45,719,000 as at 31 January 2010.

At no time was the Group in default of any obligation to pay principal or interest on the borrowings.

Subsequent to 31 January 2010, the Group has successfully renegotiated its borrowings with the banking syndicate and Westpac as agent of the Waratah Trade Receivables Securitisation Program and the lenders have waived all previous events of default. Refer Note 33 for further detail on the refinancing that occurred post year end.

Under the renegotiated terms of the syndicated facility (**"Facility")**:

- Maturity dates for the two tranches of the Facility remain at 18 September 2011, with the amount of the Facility to be reduced from $400,000,000 to $300,000,000 by 31 March 2011, within which certain asset sales are to generate principal reductions of $40million by 30 September 2010 and a further $50,000,000 by 30 November 2010.
- The Facility is to be secured by fixed and floating charge over all unencumbered assets of the Group. The security must be in place within 45 days of executing the amending deed.
- The interest cover ratios have been reset at lower levels for the nine months to 31 October 2010 and at pre-existing levels thereafter.
- A new borrowing base covenant has been introduced relating to asset levels and borrowing levels. It is a condition subsequent of the Facility that the terms of this covenant be agreed and signed within 45 days of execution of the Facility.
- Quarterly reporting is to be made to the banking syndicate
- The Banks' margins have increased and this has been taken into account in the Group's forecast of interest expense for the year ending 31 January 2011
- Dividends may be paid with the discretionary consent of the banking syndicate for the half year to 31 July 2010. In respect of the full year ending 31 January 2011, dividends can be paid if certain reasonable conditions are met
- Net Assets to be maintained at $1,000,000,000 at each quarter end

As noted above, any default under the syndicated facility results in a cross default under the Waratah facility (see 29 for further details of the Waratah facility). The maturity date of the original Waratah facility of $100,000,000 was 5 February 2011. The amended facility is on the same terms and conditions including the maturity date.

In relation to the Sigma Rewards Off Balance Sheet Trade Receivables Program, we note that no breach occurred. Furthermore, the senior lender has provided a commitment letter to the Company confirming the facility will be ongoing for the original term until March 2011, subject to conditions as set out in Note 33.

The Group's budget for the year ending 31 January 2011, if achieved, means the Group will operate within the limits of its combined bank facilities. In addition to cash flow from EBITDA, the Group expects to further improve short term cash flows through:

- changes to trading terms to customers that shorten the contractual payment periods;
- improvements in inventory holding periods; and
- negotiating improved payment terms with major suppliers.

The Group will be actively managing its working capital to reduce its overall debt exposure. The Group will explore additional non core asset sales and debt reduction opportunities, together with further refinancing options over the forthcoming months to mitigate reliance on current debt funding. The revised covenants provided to the Banks have been based on the Group's budgets which the Directors believe can be achieved.

The Directors acknowledge there are normal business risks and uncertainties which could result in budgeted earnings and cash flows not being achieved, and/or sales of non-core assets not being achieved within the proposed time frames. If this were to occur, there is a risk of covenants, particularly the reset interest cover ratios and the recently introduced requirement to sell identified non-core assets, being breached in the future.

In the event of a breach of the Facility, it could become immediately repayable and there is uncertainty as to how the Group's lenders may react in these circumstances. Accordingly, there is uncertainty as to the Group's ability to continue as a going concern.

1. Basis of Financial Report Preparation continued

(b) Going concern (continued)

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe:

- the Group and the Company will be able to pay their debts as and when they fall due; and
- the basis of preparation of the financial report on a going concern basis is appropriate.

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Statement of compliance
This general purpose financial report has been prepared in accordance with Australian Accounting Standards ('AASBs'), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Sigma Pharmaceuticals Limited comply with International Financial Reporting Standards (IFRS). The parent entity financial statements and notes also comply with IFRS.

(d) Basis of measurement
This Financial Report is presented in Australian dollars, which is Sigma Pharmaceuticals Limited's functional currency and presentation currency. Items included in the financial statements of each of the Groups entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency").

This Financial Report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The Group is of a kind referred to in Australian Securities and Investment Commission ('ASIC') class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that class Order, amounts in this Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(e) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of the Company, Sigma Pharmaceuticals Limited, being the parent entity, and all of its subsidiaries, together referred to in this financial report as the Group. Subsidiaries include special purpose entities over which the Group has the power to govern the financial and operating policies. Where a subsidiary either began or ceased to be controlled during the year, the results of its operations are included only from the date control commenced or up to the date control ceased. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

Transactions eliminated on consolidation
Intragroup balances, and any unrealised gains and losses or revenues and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations
All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the Income Statement.

Use of special purpose vehicle
The special purpose vehicle used is in relation to the Sigma Employee Share Plan (ESP). Any amount of unvested shares held by the ESP are owned by the consolidated entity until they vest and are recorded at cost in the consolidated balance sheet within equity as shares held by the equity compensation plan.

The activities of the share plan are effectively being conducted on behalf of Sigma according to specific business needs and in essence Sigma has the right to obtain the majority of the benefits from the ESP's activities.

Accordingly the ESP is consolidated into the group results and intra-group transactions are eliminated in full on consolidation. Refer also Gateway Facility in Note 1 (f).

1. Basis of Financial Report Preparation continued

(f) Use of accounting estimates and judgements
The preparation of the financial statements required management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may ultimately differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and intangible assets with indefinite useful lives
The consolidated entity assesses, at least annually, whether goodwill and other intangible assets which have indefinite useful lives are impaired. These calculations involve an estimate of the recoverable amount of the cash generating units to which such assets are allocated. Refer to note 14 for further details.

This determination requires judgement in the future cash flows, the discount rates, growth rates and working capital assumptions. Refer further information in Note 14.

In addition, management has considered reasonably possible shifts in the movements in key assumptions – refer Note 14 for further details.

Carrying value of inventory
The consolidated entity assesses whether inventory is recorded at the lower of cost and Net Realisable Value and ensures all obsolete or slow moving stock is appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific inventories and to the best of our knowledge inventories have been correctly and fairly recorded as at 31 January 2010.

Sigma Rewards
The consolidated group operates a debtors securitisation programme referred to as Sigma Rewards.

The programme allows Sigma to receive cash in advance of actual debtor terms and is recorded off balance sheet due to the fact that substantially all the risks and rewards of ownership are transferred to a third party. The cost associated with the Sigma Rewards programme is treated as 'finance costs' on the face of the income statement.

Allco Finance Group (Allco) is one of the investors in this program and bears the majority of the risk associated with defaulting debtors. Accordingly we are able to achieve off balance sheet treatment due to the nature of Allco's investment (as the bearer of risk). During November 2008 Allco went into voluntary administration. This program will continue to operate as an off balance sheet structure as long as Allco continues to maintain its investment.

In the event that Sigma purchases Allco's investments or otherwise assumes exposure to the risks previously borne by Allco (due to increased debtor defaults or Allco no longer supports its investment), this would trigger consolidation of the underlying trust that carries the Sigma Rewards debtors. In effect this would bring back on balance sheet all the debtors within Sigma Rewards as well as an equivalent external debt.

There is no indication that the administrators of Allco will not maintain the investment in the foreseeable future. Refer Note 33 for further events subsequent to balance date.

Gateway
The consolidated group operates a Pharmacy Financing programme referred to as Gateway.

The Gateway programme allows Sigma to source competitive funding for Sigma customers as part of the overall Embrace programme.

Previously this programme was recorded off balance sheet, however pharmacy defaults within the programme during the second half of the financial year resulted in Sigma being exposed to the risks associated with the remaining loan pool requiring Sigma to consolidate the underlying Unit Trust (the special purpose vehicle used to hold the Gateway loans). Sigma has an ongoing programme for pharmacy borrowers to refinance these loans through alternative funding arrangements in the 2010/11 financial year.

Following the consolidation event, Sigma has recognised an impairment loss against the loan pool amounting to $2.5m.

The consolidation has also resulted in the recognition of financial loans receivable and financial loans payable.

The loans receivable bears interest revenue and this income is used to repay the interest and principal obligation's (recognised on balance sheet) to the external banking group.

Accordingly, going forward the interest revenue derived from the loans receivable will be recorded as financial income. This will be offset by the interest payments on the equivalent external borrowings which will be recognised as financial expenses. These amounts will be disclosed on a gross basis.

Refer Note 10 and 17 for further information.

Refer Note 33 for further events subsequent to balance date.

2. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. Certain comparative amounts have been reclassified to conform with the current year's presentation and to ensure consistency in the financial report.

(a) Revenue

Revenue Recognition

In certain circumstances sales are made to customers on an extended return basis. These extended return periods usually cover a six month period and gives the customer the right to return the inventory in its original condition during this period. No revenue on such sales is recognised until the extended return period has lapsed.

In addition some sales are recognised on a Bill and Hold basis. Bill and Hold sales relate to circumstances whereby the delivery of the goods is delayed at the customer's request but the buyer takes title and accepts billing. Revenue is recognised on Bill and Hold sales provided: it is probable that delivery will be made, the inventory item is on hand and ready for delivery at the time the sale is recognised, the buyer specifically acknowledges the deferred delivery instructions and the agreed payment terms apply.

Sales made during the ordinary course of business and on normal terms and conditions have an agreed period in which the inventory can be returned. An appropriate provision is recognised for these returns.

Sales revenue represents revenue earned from the sale of the Group's products and services, including Community Service Obligation receipts, net of returns, discounts, allowances, duties and taxes paid. Sales revenue is recognised when the goods are provided, or when the fee in respect of the services is receivable. Fees in respect of services provided are receivable once services have been rendered.

Sale of goods
Revenue from the sale of goods (net of returns, discounts and allowances) is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the amount of revenue cannot be measured reliably, or there is continuing managerial involvement with the goods.

Dividend income
Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre acquisition profits. However the investment may need to be tested for impairment as a consequence.

The group has changed its accounting policy for dividends paid out of pre acquisition profits from 1 February 2009 when the revised AASB 127 Consolidated and Separate Financial Statements became operative. Previously, dividends paid out of pre acquisition profits were deducted from the cost of the investment. In accordance with the transitional provision, the new accounting policy is recognised prospectively. It was therefore not necessary to make any adjustments to any of the amounts previously recognised in the financial statements.

Other revenue

Membership income
Our Amcal and Guardian banner stores pay an annual membership fee to Sigma. This membership fee entitles the stores to access certain Sigma discounts (specifically applicable to banner members) and other benefits including group catalogue advertising. This revenue is recognised over the period of the year which matches the period over which the services are rendered.

Commissions and Fees
This category primarily covers fees billed by Sigma to customers for specific deliveries of dangerous goods. This risk fee covers the incremental cost incurred by Sigma associated with the delivery of these specific goods. This revenue is recognised once the delivery service has been performed.

Marketing services and promotional income
This category relates to income received from suppliers relating to promotional services rendered. This revenue is recognised once the service obligations have been performed.

Rentals and other trading revenue
Other revenue includes sub-lease rentals and interest income on short-term investments. This revenue is recognised as it is earned.

Community Service Obligation (CSO)
A Community Service Obligation is an ongoing legislative requirement placed on an organisation by government to provide a benefit to an identified group that would not otherwise be provided by that organisation in the pursuit of its other objectives. In Sigma's case this requirement is around minimum delivery obligations Australia wide. The Government provides income to compensate for the higher expenditure incurred to meet these minimum delivery obligations.

Revenue from CSO is recognised when the consolidated entity has complied with the conditions attached to the obligation and has reasonable assurance that the income will be received. CSO income is included in sales revenue.

2. Summary of Significant Accounting Policies continued

(b) Earnings per share
Basic earnings per share is determined by dividing the net profit attributable to members of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted earnings per share is determined by dividing the net profit attributable to members of the Company, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus elements.

(c) Foreign currency
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Foreign exchange gains and losses are brought to account in the income statement, except when deferred in equity as qualifying cash flow hedges. The assets and liabilities of foreign controlled subsidiaries are translated into Australian currency at rates of exchange current at balance date, while revenues and expenses are translated at the average rate calculated for the period. Exchange rate differences arising on translation are taken to the foreign currency translation reserve.

(d) Finance costs
Finance costs are recognised as expenses in the period in which they are incurred, except where they are included in the costs of qualifying assets. Finance costs which are directly attributable to the acquisition of, production of, a qualifying asset are capitalised as part of the cost of that assets using the weighted average cost of borrowings. Finance costs include:

- interest on bank overdrafts, short-term and long-term borrowings;
- interest payable on Sigma Rewards and Waratah;
- interest payable on Gateway;
- finance lease charges; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

The consolidated group operates a debtors securitisation programme – Sigma Rewards. This programme allows Sigma to receive cash in advance due to the fact that substantially all the risks and rewards of ownership of debtors within the programme are transferred to a third party. Accordingly, the debtors are recorded off balance sheet. The cost associated with this programme is treated as ‘finance costs’ on the face of the income statement.

Waratah is another debtors securitisation programme – however as risk lies with Sigma the debtors and equivalent external debt are recorded on balance sheet. The cost associated with this programme is treated as ‘finance costs’ on the face of the income statement.

The investment in the Sigma Rewards programme is recorded within Receivables on the face of the Balance Sheet.

(e) Goods and services tax (“GST”)
Revenues, expenses and assets are recognised net of GST, except as stated below or if the amount of GST incurred is not recoverable from the Australian Taxation Office (“ATO”). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item in the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the Balance Sheet. Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Dividends
Dividends are recognised when an obligation to pay a dividend arises, following declaration of the dividend by the Company’s Board of Directors.

(g) Acquisition of assets
The purchase method of accounting is used to account for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued, or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the acquisition date, unless other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the consolidated entity’s share of the identifiable net assets acquired is recorded as goodwill.

The fair value of cash consideration with deferred settlement terms is determined by discounting any amounts payable in the future to their present value as at the date of acquisition. Present values are calculated using discount rates applicable to similar borrowings arrangements of the consolidated entity.

2. Summary of Significant Accounting Policies continued

(h) Impairment and Recoverable amount of assets

Impairment
The carrying amounts of the consolidated entity's assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated annually regardless of the existence of impairment indicators.

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Income Statement.

Impairment losses recognised in respect of a cash generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Refer Note 14 for further details of actual amounts recognised during the period.

Calculation of recoverable amount
The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment
Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been change in the estimate used to determine the recoverable amount. An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the Income Statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss shall be reversed, with the amount of the reversal recognised in the Income Statement. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and highly liquid investments and notes with maturity of three months or less when purchased.

(j) Receivables
Trade debtors are settled within 40-150 days of the invoice date and are carried at amounts due. Receivables are measured at amortised cost using the effective interest method less allowances for impairment.

When receivables are considered to be impaired the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within 'administration expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administration expense in the income statement.

The recoverable amount of the consolidated entity's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

(k) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed factory overhead expenditure. Overhead costs are allocated on the basis of normal operating capacity. Cost is determined on the basis of first-in first-out, average or standard; whichever is the most appropriate in each case.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value. Obsolete and slow moving stocks are allowed for, to ensure the inventories are recorded at net realisable value where such value is below cost.

(l) Investments
Investments in joint venture entities are carried at their cost of acquisition. Investments in subsidiaries are carried at cost in the individual financial statements of Sigma Pharmaceuticals Limited. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell.

Notes to the Financial Statements continued

For the year ended 31 January 2010

2. Summary of Significant Accounting Policies continued

(m) Property, plant and equipment
Property, plant and equipment is recorded at cost less accumulated depreciation. Subsequent expenditure is added to the carrying value of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing asset will flow to the operation. All other subsequent expenditure is expensed in the period in which it is incurred.

Property, plant and equipment, other than freehold land, is depreciated or amortised on a straight-line basis at various rates dependent upon the estimated average useful life for that asset. The estimated useful lives of each class of asset are as follows –

Buildings	40 years
Plant and Equipment	3 to 20 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the income statement in the period the item is derecognised.

(n) Intangibles
Intangibles are carried at cost less accumulated amortisation and impairment losses where applicable. Intangible assets acquired separately are capitalised at cost or if arising from a business combination at fair value as at the date of acquisition.

Goodwill
Goodwill represents the *excess* of the cost of an acquisition over the fair value of the net identifiable assets acquired. Goodwill is not amortised. Goodwill is tested annually for impairment.

IP licence agreement
Pursuant to an IP licence agreement executed between Sigma Pharmaceuticals Limited and Arrow Group ApS and its related entities, Sigma Pharmaceuticals Limited has the right to an exclusive, perpetual licence of data and intellectual property relating to pharmaceutical products in Australia. There are certain minimum delivery obligations on Arrow Group ApS, both as to number of products and timing of delivery. In return, Sigma Pharmaceuticals Limited has certain obligations to take products and to make royalty payments. The IP licence agreement is amortised on a straight line basis over its expected useful life of 13 years.

Trademarks and license fees
Trademarks acquired with the acquisition of Herron are being amortised on a straight-line basis over their expected useful lives of between 20 and 60 years. All other trademarks and license fees are amortised on a straight-line basis over their expected useful lives.

Brand names
The Amcal and Chemists' Own brand names are being amortised on a straight-line basis over their expected useful lives of 60 years. All other brand names are amortised on a straight-line basis over their expected useful lives.

Customer relationships and distribution agreements acquired with Orphan acquisition
The Orphan customer relationships are being amortised over a 9 year period, whilst distribution agreements are being amortised over a 5-11 year period (depending on the individual distribution agreement). All such assets are being amortised on a straight line basis and arose on the business combination with Orphan Holdings Pty Ltd. Refer note 30 (c) for further details.

Development costs
Development costs represent costs associated with obtaining appropriate product registrations from relevant government authorities.

Development costs are capitalised when the product is technically and commercially feasible and their future recoverability can reasonably be regarded as assured to exceed those costs.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Development costs are amortised on a straight-line basis over the expected useful life of the underlying product which is generally five to ten years.

The carrying value of development costs is reviewed for impairment annually or when an indicator of impairment arises during the reporting period indicating that the carrying value may not be recoverable.

(o) Research
Research costs are charged against the income statement as incurred.

(p) Leases
Leases under which the consolidated entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases. Assets, which are subject to finance leases, are capitalised. The initial amount of the lease asset is the lower of the fair value of the asset and the present value of minimum lease payments. The corresponding liability represents the future rental obligations net of finance charges. Lease assets are amortised on a straight-line basis over the life of the relevant lease, or where it is likely the consolidated entity will obtain ownership of an asset, the life of asset.

Lease liabilities are reduced by repayments of principal. The interest components of lease payments are charged against the income statement.

Operating leases are not capitalised. Operating lease payments are charged to the income statement as incurred on a straight-line basis.

Notes to the Financial Statements continued

For the year ended 31 January 2010

2. Summary of Significant Accounting Policies continued

(q) Trade payables
Liabilities are recognised for amounts to be paid in the future for goods or services provided prior to the end of the reporting period. Trade accounts payable are normally settled within 60 days of the invoice date.

(r) Interest bearing liabilities
Interest bearing liabilities are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are state at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the loans or borrowings on an effective interest rate basis.

(s) Provisions
A provision is recognised when a present legal, equitable or constructive obligation exists and can be reliably measured as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

Directors' retirement
A provision for directors' retirement benefits is recognised in respect of all eligible non-executive directors who have served in that capacity for at least five years with a pro-rata entitlement accrual commencing after three years service. This benefit was frozen at 31 January 2006 whereby directors' will receive their frozen entitlement (plus interest).

Rationalisation and restructuring
A provision for rationalisation and restructuring is recognised when the Group is committed to the restructuring plan and expected costs associated with the restructuring are based on the best estimate of the direct expenditures to be incurred which are both directly and necessarily caused by the restructuring and not associated with the on-going activities.

(t) Employee benefits
Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee. The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Contributions to superannuation plans are charged to the income statement as the contributions are paid or become payable.

Long Service Leave
The provision for long service leave represents the present value of the estimated future cash outflows to be made by the consolidated entity resulting from employees services provided up to the reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to national government bonds at reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expenses.

Superannuation plans
The consolidated entity contributes to various defined contribution superannuation plans. Employer contributions to these plans are recognised as an expense as they are made.

(u) Share-based payment transactions

Share-based compensation benefits are provided to employees via the Sigma Employee Share Plan, the Senior Executive Option Plan and the Performance Rights Plan.

Share options granted before 7 November 2002 and/or vested before 1 January 2005

No expense is recognised in respect of these options. The shares are recognised when the options are exercised and the proceeds received allocated to share capital.

Share options and performance rights granted after 7 November 2002 and vested after 1 January 2005

The fair value of options and performance rights granted after 7 November 2002 are recognised as employee benefit expenses together with a corresponding increase in equity over their vesting periods. Fair value is determined at grant date by an external valuer using, in respect of options, the Black-Scholes option pricing model and in respect of performance rights the Monte-Carlo simulation methodology.

Upon the exercise of options and performance rights, the balance of the share-based payments reserve relating to those options and performance rights is transferred to the options exercised reserve.

Sigma Employee Share Plan

Any amount of unvested shares held by the ESP are owned by the consolidated entity until they vest and are recorded at cost in the consolidated balance sheet within equity as shares held by the equity compensation plan. Dividends paid by Sigma Pharmaceuticals Limited on shares held by the ESP are eliminated in full on consolidation.

2. Summary of Significant Accounting Policies continued

(v) Income Tax

Deferred income tax is provided for using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, a the time of the transaction, affects neither the accounting profit nor taxable profit.

Deferred income tax assets are recognised for all the deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised. This does not occur where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (the tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities have not been offset in the balance sheet. These balances include amounts relating to our foreign operations which therefore do not relate to the tax consolidated group. We believe this disclosure is appropriate.

Australian tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 19 December 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Sigma Pharmaceuticals Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within the group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax-consolidated group and are recognised by the company as amounts payable (receivable) to/(from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity’s obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(w) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, net of tax, from the proceeds.

2. Summary of Significant Accounting Policies continued

(x) Derivatives

The consolidated entity is exposed to financial risks associated with adverse movements in interest and foreign exchange rates. Derivative financial instruments are used by the consolidated entity to manage these risks. The risk management activity is conducted in accordance with the Board approved Price Risk Management Policy ("Policy") which details the consolidated entity's approach to managing price exposures and delineates hedging limits and delegated management authorities. The risk exposures are managed by quantifying the impact of adverse interest and foreign exchange rate movements on the overall profitability of the consolidated entity and entering into hedging contracts seeking to protect a predetermined level of forecast profitability that may otherwise be impacted by unfavourable market rate movements. The types of instruments approved for use by the Policy include, in respect of interest rate risk management, interest rate swaps, options and forward rate agreements and in respect of foreign exchange risk management, foreign exchange options and forward currency contracts. All activities are conducted within Board approved guidelines and are regularly reported to the Board.

All derivative financial instruments are recognised in the Balance Sheet at their fair value. Changes in the fair values of derivative financial instruments are recognised periodically either in the income statement or in equity, depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or a cash flow hedge. Fair value is determined by external advisors and reviewed independently by management.

Changes in the fair values of derivative financial instruments that are designated and qualify as fair value hedges and are highly effective, are recorded in the Income Statement, along with the portions of the changes in the fair values of the hedged items that relate to the hedged risks. Changes in the fair values of derivative financial instruments that are designated and qualify as cash flow hedges, to the extent that they are effective as hedges, are recorded in equity. These cash flow hedges are recycled using the basis adjustment method. Changes in fair values of derivative financial instruments not qualifying as hedges are reported in the Income Statement.

The relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions, are documented at the inception of the transaction. This process includes linking all derivative financial instruments designated to firm commitments or forecast transactions. Whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items is also documented both at hedge inception and on an ongoing basis.

(y) Segments

The group has applied AASB 8 Operating Segments for the financial year ended 31 January 2010. AASB 8 requires a 'management approach' under which segment information is presented on the same basis at that used for internal reporting purposes.

Management has determined operating segments based on the structure of reports reviewed by the Chief Executive Officer and Chief Financial Officer (who collectively form the Chief Operating Decision Makers) that are used in the strategic decision making process. The Chief Operating Decision Makers consider the business from both a product and geographic perspective and has identified that the Group operates both a Healthcare and Pharmaceuticals segment. The Geographic segment has been determined as Australia.

(z) Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

(aa) Customer loyalty programme

Sigma operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The award points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed.

The policy of accounting for award points as separate component of the initial sale transaction was adopted for the first time in the current financial year. In previous reporting periods, the full revenue from the initial sale was recognised up-front together with an obligation to provide discounts on future sales.

(ab) Deferred income

Deferred income is recognised in the liabilities section of the balance sheet and reflects income received that relates to a future period. Such income is subsequently recognised in the income statement as and when the obligations attached to the income are fulfilled by Sigma. Such income generally relates to promotional services to be rendered.

2. Summary of Significant Accounting Policies continued

(ab) New standards and interpretations

New standards adopted
The following standards, amendments to standards and interpretations have been adopted in preparing this financial report:

- AASB 8 Operating Segments - The Group has applied AASB 8 Operating Segments from 1 February 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in no change to the number of reportable segments as previously disclosed to the market. Whilst there have been no change to the number and structure of reportable segments, the amounts disclosed within each segment has now changed to align with current transfer pricing policies and to reflect changes to the allocation of support cost centres to these reportable segments. The reportable segments of Healthcare and Pharmaceuticals reflect our internal reporting provided to the chief operating decision maker. The chief operating decision-maker has been identified as our Chief Executive Officer (CEO) and Chief Financial Office (CFO). There has been no change to the allocation of Goodwill as our cash generating units (CGU's) have also remained consistent with those previously disclosed.
- Revised AASB 101 Presentation of Financial Statements - The revised AASB 101 introduces as a financial statement (formerly "primary statement") the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. Accordingly the income statement has been replaced with the statement of comprehensive income. For Sigma this new statement effectively combines the Income Statement plus items of revenue/expense that are recognised directly within equity. The adoption of this new statement is not considered to be material due to the limited nature of items recognised directly in equity (i.e. hedge accounting and foreign currency translation).
- AASB interpretation 13 Customer Loyalty Programmes - In year ended 31 January 2010 the Group adopted AASB Interpretation 13 Customer Loyalty Programmes and changed its accounting policy for its customer loyalty programme. The award points are now recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the award points are recognised at their fair value. Revenue from the award points is recognised when the points are redeemed. The amount of revenue is based on the number of points redeemed relative to the total number expected to be redeemed. In previous reporting periods, the full revenue from the initial sale was recognised up-front, together with an obligation to provide discounts on future sales.
- AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009). In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The revised rules prospectively from 1 Jan 2009. From this date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the Group's current policy, these dividends would be deducted from the cost of the investment.

New standards and interpretations not yet adopted
The following standards, amendments to standards and interpretations are available for early adoption but have not been applied in preparing this financial report:

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 are effective for annual reporting periods commencing on or after 1 January 2009. The revised AASB 123 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 January 2011 financial statements. The adoption of this accounting standard will not result in a change in accounting policy for the Sigma group as our current accounting policy is in line with the revised AASB 123. The Group has not yet decided to early adopt the revised AASB 123.
- AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards are effective for annual reporting periods beginning 1 July 2009. AASB 3 is applied prospectively for all business combinations finalised after 1 February 2010. The revised AASB 3 changes the measurement and recognition requirements in accounting for business combinations.

3. Segment Information

	Pharmaceuticals $'000	Healthcare $'000	Unallocated $'000	Consolidated $'000
2010				
Revenue				
Sales Revenue	**670,923**	**2,549,507**	**-**	**3,220,430**
Other revenue and income	**45,501**	**5,051**	**558**	**51,110**
External segment revenue	**716,424**	**2,554,558**	**558**	**3,271,540**
Inter segment revenue(1)	**-**	**-**	**-**	**-**
Total segment revenue	**716,424**	**2,554,558**	**558**	**3,271,540**
Result				
Segment result before interest and tax	**(124,621)**	**(174,947)**	**(9,427)**	**(308,996)**
Net financing costs				**(72,103)**
Income tax expense				**(7,943)**
Loss for the year				**(389,042)**
Net assets				
Segment assets(2)	**1,408,219**	**357,075**	**160,752**	**1,926,046**
Segment liabilities(2)	**(140,789)**	**(290,588)**	**(427,715)**	**(859,092)**
Net assets	**1,267,430**	**66,487**	**(266,963)**	**1,066,954**
Non-cash expenses				
Depreciation and amortisation	**42,953**	**2,875**	**-**	**45,828**
Impairment of Goodwill	**184,421**	**239,809**	**-**	**424,230**
Impairment of other intangibles	**12,920**	**-**	**-**	**12,920**
Other	**34,319**	**2,778**	**2,952**	**40,049**
Total	**274,613**	**245,462**	**2,952**	**523,027**
Additions and acquisitions of non-current assets	**17,530**	**4,476**	**-**	**22,006**
2009				
Revenue				
Sales Revenue	710,696	2,370,591	-	3,081,287
Other revenue and income	37,158	5,629	671	43,458
External segment revenue	747,854	2,376,220	671	3,124,745
Inter segment revenue(1)	-	-	-	-
Total segment revenue	747,854	2,376,220	671	3,124,745
Result				
Segment result before interest and tax	130,025	66,991	(6,756)	190,260
Net financing costs				(76,716)
Income tax expense				(33,420)
Profit for the year				80,124
Net assets				
Segment assets(2)	1,518,295	589,362	93,807	2,201,464
Segment liabilities(2)	(105,091)	(313,163)	(585,278)	(1,003,532)
Net assets	1,413,204	276,199	(491,471)	1,197,932
Non-cash expenses				
Depreciation and amortisation	41,421	3,080	-	44,501
Other	7,552	3,711	1,001	12,264
Total	48,973	6,791	1,001	56,765
Additions and acquisitions of non-current assets	30,226	3,612	-	33,838

(1) The Chief Operating Decision Makers receive information which exclude intercompany sales.

(2) Assets and liabilities shown against each segment exclude deferred tax assets, current and deferred tax liabilities and assets and liabilities which relate to the Group's financing activity. Such balances are held within the Corporate Segment which is unallocated for management reporting purposes.

3. Segment Information continued

Information on segments
The group has adopted AASB 8 'Operating Segments' in the year ended 31 January 2010. The results for 31 January 2010 are prepared on this new basis with prior year comparatives restated accordingly.

The new segment reporting standard, AASB 8 Operating Segments demands much greater insight into how the business is run through its operating segments as it adopts a through the-eyes-of-management approach. Accordingly these revised segments reflect how our business is run and managed internally.

Details of segments

Pharmaceuticals – includes the manufacture or contract manufacture for Australian and overseas customers. This segment includes our Consumer, Generics, Contracts/Exports and Private Label product ranges and each division is net of allocated support costs. We have applied the aggregation criteria in AASB 8 to include the results of Orphan and the recent BMS asset acquisition within this segment. Orphan is a separate Cash Generating Unit for impairment testing purposes.

Healthcare – represents our traditional pharmacy wholesale business net of allocated support costs.

Unallocated – represents our corporate head office, group tax balances, investments in jointly controlled entities, financing and treasury functions. The consolidation of the Gateway Unit Trust is also included in the unallocated segment.

Geographical segments
The group operates predominantly as a manufacturer, distributor and marketer of pharmaceutical and allied products through the pharmacy and grocery channels within Australia.
Information on major customers
One customer contributes revenues which form greater than 10% of total Healthcare revenues and group revenues. This customer has a long standing relationship with Sigma and a service contract is in place. Sales revenue for the period to 31 January 2010 was $548m.

4. Revenue and other income

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Sales revenue	**3,220,430**	3,081,287	**308,108**	354,589
Other revenue				
Commissions and fees	**7,195**	10,552	**2,879**	2,500
Membership revenue	**11,521**	11,514	**-**	-
Marketing services and promotional revenue *	**29,215**	15,666	**6,314**	5,246
Rentals and other trading revenue	**2,813**	3,883	**1,242**	351
Dividends received from controlled entities	**-**	-	**40,000**	40,000
Total other revenue	**50,744**	41,615	**50,434**	48,097
Other Income				
Profit on sale of property, plant and equipment	**366**	1,843	**(61)**	-
Total other revenue and other income	**51,110**	43,458	**50,373**	48,097

**** Income received from Key Supplier***
During the period the group received income amounting to $10m from a key supplier. This income represented a discretionary one off payment for promotional services rendered. This amount is considered one-off in nature.

5. Income Statements Disclosure

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Loss before interest and income tax has been arrived at after including:				
Amortisation				
IP licence agreement	**9,504**	9,504	**-**	-
Trademarks and licence fees	**19,526**	17,944	**-**	-
Brand names	**986**	975	**-**	-
Development costs	**2,385**	1,897	**2,243**	1,744
Total amortisation	**32,401**	30,320	**2,243**	1,744
Depreciation				
Buildings	**3,115**	2,767	**-**	-
Plant and equipment	**10,312**	11,414	**250**	281
Total depreciation	**13,427**	14,181	**250**	281
Write down of inventories to net realisable value *	**34,595**	10,435	**-**	-
Write down of property, plant and equipment to recoverable amount	**14**	4	**-**	-
Impairment of development costs	**1,224**	228	**1,224**	228
Impairment of definite life intangible assets	**11,696**	-	**8,900**	-
Impairment of goodwill	**424,230**	-	**-**	-
Impairment of investments held in subsidiary companies	**-**	-	**703,335**	-
Impairment on Gateway loan book	**2,500**	-	**-**	-
Impairment in jointly controlled entities	**1,221**	-	**-**	-
Redundancy expense	**8,055**	-	**-**	-
Losses/(profits) from the sale of property, plant and equipment	**(366)**	(1,843)	**61**	(1)
Bad and doubtful debts – trade debtors	**1,284**	619	**931**	-
Employee benefits expense	**121,797**	116,731	**15,383**	15,742
Share-based payments expense	**452**	1,001	**400**	814
Directors' retirement provision	**20**	44	**20**	44
Rental expenses on operating leases	**13,274**	9,965	**1,401**	2,065
Research and development expenditure	**4,245**	4,816	**-**	-

* During the period the carrying value of certain inventory lines have been reassessed and a decision made by management to stop actively selling such lines. This has resulted in additional inventory adjustments being recognised.

Rationalisation and restructuring costs

Amounts included in rationalisation and restructuring costs are detailed below:

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Onerous leases	**-**	1,401	**-**	-
Redundancy expense	**8,055**	1,089	**-**	-
Other amounts	**1,454**	1,802	**1,521**	455
Total rationalisation and restructuring costs	**9,509**	4,292	**1,521**	455

6. Net Financing Costs

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Financial income				
Interest revenue	**822**	1,201	**584**	150
Total financial income	**822**	1,201	**584**	150
Financial expenses				
Interest expense – Sigma Rewards	**24,346**	30,580	**-**	-
Interest expense	**48,579**	47,337	**-**	-
Sub-total – financial expenses	**72,925**	77,917	**-**	-
Interest expense – controlled entities	**-**	-	**3,993**	3,208
Total financial expenses	**72,925**	77,917	**3,993**	3,208
Net financing costs	**72,103**	76,716	**3,409**	3,058

Refer note 2 (d) for further information on Sigma's net financing costs. The interest expense associated with the Sigma Rewards program is the net interest expense on a floating basis. The net hedging expense is allocated against on balance sheet debt.

7. Income Tax Expense/(Benefit)

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
The prima facie income tax expense reconciles to income tax provided as follows- Prima facie income tax expense calculated at 30%	**(114,330)**	34,063	**(191,714)**	18,788
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non deductible amortisation	**1,089**	1,197	**-**	-
Non deductible impairment	**127,269**	-	**211,001**	-
Non-assessable dividend income	**-**	-	**(12,000)**	(12,000)
Other items	**(916)**	(733)	**185**	244
Amounts (over)/under provided in prior years	**(5,169)**	(1,107)	**-**	-
Income tax expense/(benefit)	**7,943**	33,420	**7,472**	7,032
Income tax expense/benefit) comprises -				
Current expense	**28,360**	35,754	**9,876**	4,285
Deferred expense/(benefit)	**(15,248)**	(1,227)	**(792)**	2,747
Adjustments for current income tax of prior periods	**(5,169)**	(1,107)	**-**	-
Income tax expense/(benefit)	**7,943**	33,420	**7,472**	7,032

Australian tax consolidation

The Company has formed a consolidated group for income tax purposes, effective on and from 19 December 2005, with each of its wholly owned Australian controlled entities. The entities within the Group have entered a tax funding arrangement where each controlled entity will compensate the Company for the amount of tax payable that would be calculated as if the controlled entity was a tax paying entity.

The method used to measured current and deferred income tax amounts is summarised in Note 2 (v).

8. Dividends

Consolidated

	2010 $'000	2009 $'000
Dividends recognised by the parent entity	**69,792**	60,353
Less: dividends paid on shares issued under the Employee Share Plan	**(895)**	(691)
Dividends recognised by the Group	**68,897**	59,662

The Company

	Cents per Share	Amount $'000	Date of payment	Tax rate for franking credit %	Percentage franked %
2010					
2009 Final – Ordinary Shares Paid in Cash	**4.0**	**29,856**	**7 May 2009**	**30**	**100**
2009 Final –Ordinary Shares Dividends Reinvested	**4.0**	**4,946**	**7 May 2009**	**30**	**100**
Interim – Ordinary Shares Paid in Cash	**3.0**	**26,495**	**13 November 2009**	**30**	**100**
Interim – Ordinary Shares Dividends Reinvested **	**3.0**	**8,495**	**13 November 2009**	**30**	**100**
Total Amount					
2009					
2008 Final – Ordinary Shares	4.0	34,488	23 April 2008	30	100
Interim – Ordinary Shares Paid in Cash	3.0	20,110	29 October 2008	30	100
Interim – Ordinary Shares Dividends Reinvested **	3.0	5,755	29 October 2008	30	100

	The Company 2010 $'000	2009 $'000
Dividend franking account		
Amount of franking credits available for the subsequent year	**78,961**	79,755

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability,
(b) franking credits that may be prevented from being distributed in subsequent financial years,
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of the financial year.

**** Sigma Dividend Reinvestment Plan**
On 10 September 2008 the Board of Sigma Pharmaceuticals Limited ("Sigma") announced the introduction of a Dividend Reinvestment Plan ("DRP" or "Plan") for Sigma shareholders.

The DRP provides eligible shareholders the opportunity to reinvest all or part of their dividend entitlement in additional Sigma shares, instead of receiving cash. The issue of shares under the DRP was free of transaction costs to shareholders. Participation in the DRP is voluntary, and eligible shareholders may participate in respect of all or part of their shareholding in Sigma.

Subsequent Events
Since the end of the financial year no final dividend has been declared by the directors. Refer also Note 33 for events subsequent to balance date that relate to future dividends .

9. Earnings/(losses) per Share

	Consolidated 2010 Cents	Consolidated 2009 Cents
Basic EPS	**(40.7)**	9.4
Diluted EPS	**(40.7)**	9.2

The following reflects the earnings/(losses) and shares data used in the calculation of basic and diluted EPS.	Consolidated 2010 $'000	Consolidated 2009 $'000
Earnings/(losses) used in the calculation of basic and diluted EPS		
Basic EPS		
Net Profit/(loss)	**(389,042)**	80,124
Earnings/(losses) used to calculate basic EPS	**(389,042)**	80,124
Diluted EPS		
Net Profit/(loss)	**(389,042)**	80,124
Earnings/(losses) used to calculate diluted EPS	**(389,042)**	80,124

	Consolidated 2010 No. '000s	Consolidated 2009 No. '000s
Weighted average number of shares		
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	**956,085**	853,300
Weighted average number of ordinary shares on issue adjusted for the dilutive effect of outstanding share rights and options used in the calculation of diluted earnings per share	**973,496**	870,475

Reconciliation of weighted average number of shares used in the calculation of basic and diluted earnings per share

	2010 No. '000s	2009 No. '000s
Shares on issue as at 1 February	**870,038**	862,194
Add: Effect of shares issued	**98,991**	1,203
Less: Effect of shares held under Sigma Employee Share Plan	**(12,944)**	(10,097)
Weighted average number of ordinary shares used in calculation of basic earnings per share	**956,085**	853,300
Add: Effect of potential conversion to ordinary shares under executive rights/option schemes	**4,467**	7,078
Add: Effect of shares held under Sigma Employee Share Plan	**12,944**	10,097
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**973,496**	870,475

Performance Rights and Options

Full details of share rights and options are included in Note 24. The rights and options are considered dilutive and are included in the calculation of diluted earnings per share.

10. Receivables

	Consolidated		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current				
Trade Debtors	**285,742**	233,159	**197**	723
Provision for impairment of receivables	**(1,865)**	(1,363)	**-**	-
	283,877	231,796	**197**	723
Other debtors	**7,729**	26,700	**512**	1,455
Amounts receivable from controlled entities	**-**	-	**351,453**	45,120
Investment in Sigma Rewards	**54,396**	51,175		
Total current receivables	**346,002**	309,671	**352,162**	47,298
Non-current				
Amounts receivable from controlled entities	**-**	-	**22,926**	20,261
Provision for impairment of receivables	**-**	-	**(3,976)**	(3,976)
Total non-current receivables	**-**	-	**18,950**	16,285
Gateway Unit Trust				
Gateway loans receivable	45,774	-	**-**	-
Provision for impairment – Sigma group	(2,500)	-	**-**	-
Gateway loans receivable net of provisions	**43,274**	**-**	**-**	**-**

All trade debtors are unsecured and Sigma does not hold any collateral in relation to these debts apart from a standard retention of title clause. In most cases the fair value of the retention title approximates the carrying value of the trade debt. Included in trade debtors is an amount of $112.8m (2009: $108.2m) funded by the Waratah facility (refer note 29). The debtors sold into the Waratah facility yields a cash advance equivalent to approximately 80% of the face value of the debtor. Refer Note 33 for further events subsequent to balance date.

The trade debtors and current amounts receivable from controlled entities of the Company are not overdue and are not impaired.

Sigma Rewards
The Group holds an investment of $54,395,601 (2009: $51,174,847) in two Notes in relation to its Sigma Rewards debtors program. In the prior period this investment was classified in 'cash and cash equivalents'. The investment was reclassified to 'Receivables' during the year ended 31 January 2010 in order to better reflect the substance of the underlying asset (prior year comparative restated).

Foreign exchange risk
The carrying amounts of the Group's and parent entity's current and non-current receivables are denominated in the following currencies:

	Consolidated		The Company	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Euro	**-**	1,028	**-**	-
New Zealand Dollars	**59**	125	**-**	-
Australian Dollars	**283,818**	230,643	**197**	723
	283,877	231,796	**197**	723
Current receivables	**283,877**	231,796	**197**	723
Non-current receivables	**-**	-	**-**	-
	283,877	231,796	**197**	723

For an analysis of the sensitivity of trade and other receivables to foreign exchange and interest rate risk refer to note 32.

Impaired receivables
During the January 2008 financial year an impairment loss of $4.0m was recognised in the parent Company's books in relation to an intercompany loan receivable. The parent loan receivable is not overdue and eliminates on consolidation.

As at 31 January 2010 current trade receivables of the group with a nominal value of $1.865m (2009: $1.363m) were impaired. The amount of the provision was $1.865m (2009: $1.363m). The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. It was assessed that no portion of these receivables are expected to be recovered.

The ageing of these group receivables are as follows:

	Consolidated	
	2010	2009
	$'000	$'000
0 days to 90 days overdue	**-**	-
Over 90 days overdue	**1,865**	1,363
	1,865	1,363

10. Receivables continued

As at 31 January 2010, trade receivables of $21,192,000 (2009: $12,179,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
0 days to 30 days overdue	**16,445**	7,844
Over 30 days overdue	**4,747**	4,335
	21,192	12,179

As noted above these receivables are past due but not impaired and accordingly we expect these receivables to be fully collectable.

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2010 $'000	Consolidated 2009 $'000
At start of financial year	**1,363**	1,790
Acquisition of controlled entity	**-**	100
Provision for impairment recognised during the year	**1,264**	619
Receivables written off during the year as uncollectible	**(762)**	(1,146)
At end of financial year	**1,865**	1,363

The creation and release of the provision for impaired receivables has been included in 'administration expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Fair value and credit risk
Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. The Group does not hold any collateral as security, apart from a standard retention of title clause. Refer to note 32 for more information on the risk management policy of the Group.

None of the non-current receivables are impaired or past due but not impaired. Further, their carrying amount is assumed to approximate their fair value.

Gateway Unit Trust
The loans carry no foreign currency exposure and have been classified as non current because repayment maturity is between 9 and 15 years (with 3 years lapsed from origination of loan). There are 44 individual loans receivable each with an average balance of approximately $1.1m. Refer Note 33 for further events subsequent to balance date. The following information discloses the key features of the loan pool:

	2010 Number	2010 Weighted Interest Rate	2010 $'000
Fixed Interest Loans	**20**	**8.59%**	**20,088**
Variable Interest Loans	**24**	**9.62%**	**25,686**
Total Loan Pool	**44**	**9.19%**	**45,774**

Sigma Rewards
As explained in Note 2 (d) Sigma operates a debtors securitisation programme (Sigma Rewards) which allows the Group to receive cash in advance of debtors settlement. At 31 January 2010 $520 million (31 January 2009: $488 million) of debtors have been securitised in Sigma Rewards Program and recorded off balance sheet. Refer Note 33 for further events subsequent to balance date.

11. Inventories

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
At Cost				
Raw materials	**56,191**	46,077	**-**	-
Work in Progress	**6,940**	4,937	**-**	-
Finished goods	**308,887**	278,490	**-**	-
Provision for obsolescence	**(28,099)**	(4,100)	**-**	-
	343,918	325,404	**-**	-

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
12. Investments				
Controlled entities – unlisted shares				
At cost less impairment (2009 at cost)	**-**	-	**1,036,311**	1,739,646
Jointly Controlled Entity – Joint Venture				
Equity accounted investments *	**-**	1,292	**-**	-
Total non-current investments	**-**	1,292	**1,036,311**	1,739,646

* A subsidiary of the Company is a partner in a joint venture with Plus Points Pty Ltd to manage and administer customer loyalty programmes. The 50:50 joint venture is an incorporated joint venture (PPS Loyalty Pty Ltd).

Parent Company Investment in Subsidiary Companies

Sigma Pharmaceuticals Limited is the parent entity of the merged group from a Corporations Law perspective. However, under the requirements of Australian Accounting Standard AASB 3 Business Combinations, Sigma Company Limited was deemed the acquirer of Sigma Pharmaceuticals Limited (accounted for as a reverse acquisition in accordance with AASB 3).

The goodwill impairment referred to in Note 14 relates to Sigma Company Limited's acquisition of Sigma Pharmaceuticals Limited (Arrow).

However as legally Sigma Pharmaceuticals Limited (Arrow) acquired Sigma Company Limited we have reassessed the carrying value of the investment held by Arrow. Notionally under the reverse acquisition rules, Arrow paid $1.7bn to acquire Sigma Company Limited.

During the period the period the carrying value of the group's goodwill was reassessed in light of a change in competitive conditions and future cash flow forecasts (refer Note 14 for further detail). The change in competitive conditions and other factors outlined in Note 14 directly and negatively impacted the short and long term growth rate for the group resulting in Sigma recording an impairment charge of $424m. As a consequence Sigma Pharmaceuticals Limited assessed the carrying amount of its investment in Sigma Company Limited and determined an impairment charge of $703m.

Investments in jointly controlled entities

(a) Movements in carrying amounts

	Consolidated	
	2010 $'000	2009 $'000
Carrying amount at start of financial year	**1,292**	1,636
Investment in jointly controlled entity	**-**	-
Joint venture fair value adjustments	**-**	-
Impairment recognised during the period *	**(1,221)**	-
Share of profits/(losses) before income tax	**(140)**	(266)
Share of income tax benefit	**2**	72
Other movements	**67**	(150)
Carrying amount at end of financial year	**-**	1,292

* During the period management has reassessed the carrying of its investment in this jointly controlled entity. Historically this joint venture has made losses and future cash flow forecasts do not support the carrying value of our investment. This review also resulted in this investment being treated as non-core and accordingly we have written off our investment to NIL.

(b) Contingent liabilities of joint ventures

The joint venture has no contingent liabilities.

13. Property, Plant and Equipment

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Land and Buildings				
At cost	**172,534**	142,769	**-**	-
Accumulated depreciation	**(15,167)**	(12,014)	**-**	-
	157,367	130,755	**-**	-
Plant and Equipment				
At cost	**158,305**	135,861	**1,129**	1,967
Accumulated depreciation	**(90,580)**	(84,348)	**(1,061)**	(1,659)
	67,725	51,513	**68**	308
Total non-current property, plant & equipment	**225,091**	182,268	**68**	308

13. Property, Plant and Equipment continued

Reconciliations
Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the financial period are set out below.

Consolidated	Note	Land and buildings $'000	Plant and equipment $'000	Total $'000
Carrying amount at 31 January 2008		135,258	67,169	202,427
Additions		-	9,228	9,228
Acquisition of controlled entity		-	221	221
Transfer of completed projects		(1,736)	1,736	-
Write down to recoverable amount	5	-	(4)	(4)
Disposals		-	(15,423)	(15,423)
Depreciation	5	(2,767)	(11,414)	(14,181)
Carrying amount at 31 January 2009		130,755	51,513	182,268
Additions		**1,565**	**16,466**	**18,031**
Acquisition of business and assets,BMS	30(c)	**28,200**	**10,158**	**38,358**
Transfer of completed projects		**(38)**	**38**	**-**
Write down to recoverable amount	5	**-**	**(14)**	**(14)**
Disposals		**-**	**(124)**	**(124)**
Depreciation	5	**(3,115)**	**(10,312)**	**(13,427)**
Carrying amount at 31 January 2010		**157,367**	**67,725**	**225,091**

The Company	Note	Plant and equipment $'000	Total $'000
Carrying amount at 31 January 2008		750	750
Additions		73	73
Disposals		(234)	(234)
Depreciation	5	(281)	(281)
Carrying amount at 31 January 2009		308	308
Additions		**71**	**71**
Disposals		**(61)**	**(61)**
Depreciation	5	**(250)**	**(250)**
Carrying amount at 31 January 2010		**68**	**68**

Refer Note 33 for further events subsequent to balance date relating to security over assets.

Notes to the Financial Statements continued

For the year ended 31 January 2010

14. Intangible Assets

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Goodwill at cost	**538,582**	960,817	**-**	-
IP licence agreement	**123,557**	123,557	**-**	-
Accumulated amortisation	**(39,472)**	(29,968)	**-**	-
	84,085	93,589	**-**	-
Trademarks and licence fees at cost	**315,250**	301,621	**8,900**	8,900
Accumulated amortisation	**(100,651)**	(75,172)	**(8,900)**	-
	214,599	226,449	**-**	8,900
Brand names at cost	**39,945**	40,273	**-**	-
Accumulated amortisation	**(9,664)**	(8,985)	**-**	-
	30,281	31,288	**-**	-
Development costs at cost	**27,086**	24,612	**26,639**	24,203
Accumulated amortisation	**(6,119)**	(4,011)	**(5,824)**	(3,858)
	20,967	20,601	**20,815**	20,345
Total non-current intangibles	**888,521**	1,332,744	**20,815**	29,245

Reconciliations

Reconciliations of the carrying amount of each class of intangible asset at the beginning and end of the current financial period are set out below:

Consolidated	**Note**	**Goodwill $'000**	**IP licence agreement $'000**	**Trademarks & licence fees $'000**	**Brand Names $'000**	**Development Costs $'000**	**Total $'000**
Carrying amount at 31 January 2008		881,217	103,093	162,412	28,974	19,553	1,195,249
Additions		-	-	21,700	-	2,910	24,610
Acquisition of controlled entity		79,600	-	60,281	3,589	263	143,733
Impairment	5	-	-	-	-	(228)	(228)
Foreign currency movements		-	-	-	(300)	-	(300)
Amortisation	5	-	(9,504)	(17,944)	(975)	(1,897)	(30,320)
Carrying amount at 31 January 2009		960,817	93,589	226,449	31,288	20,601	1,332,744
Additions		**-**	**-**	**-**	**-**	**3,975**	**3,975**
Acquisition of business and assets,BMS	30(c)	**1,995**	**-**	**19,372**	**-**	**-**	**21,367**
Impairment	5	**(424,230)**	**-**	**(11,696)**	**-**	**(1,224)**	**(437,150)**
Foreign currency movements		**-**	**-**	**-**	**(21)**	**-**	**(21)**
Amortisation	5	**-**	**(9,504)**	**(19,526)**	**(986)**	**(2,385)**	**(32,401)**
Carrying amount at 31 January 2010		**538,582**	**84,085**	**214,599**	**30,281**	**20,967**	**888,521**

The Company	**Note**	**Trademarks & licence fees $'000**	**Development costs $'000**	**Total $'000**
Carrying amount at 31 January 2008		3,400	19,429	22,829
Additions		5,500	2,888	8,388
Impairment		-	(228)	(228)
Amortisation	5	-	(1,744)	(1,744)
Carrying amount at 31 January 2009		8,900	20,345	29,245
Additions		**-**	**3,937**	**3,937**
Impairment	5	**(8,900)**	**(1,224)**	**(10,124)**
Amortisation	5	**-**	**(2,243)**	**(2,243)**
Carrying amount at 31 January 2010		**-**	**20,815**	**20,815**

14. Intangible Assets continued

(a) Impairment testing of Goodwill
Goodwill has been allocated to the consolidated entity's cash generating units ("CGUs") according to their business segment.

A summary of goodwill allocated to cash generating units at year end is presented below (see also comments below):

Consolidated	2010 $'000	2009 $'000
Pharmaceuticals goodwill	**420,639**	603,065
Healthcare goodwill	**38,343**	278,152
Orphan goodwill **	**79,600**	79,600
Total Goodwill	**538,582**	960,817

** The results of Orphan Australia have been included within the Pharmaceuticals segment from 22 February 2008, the effective date of the acquisition. However Orphan is its own CGU for the purposes of impairment testing.

Calculation Methodology
The recoverable amount of a CGU is determined based on value in use. Value in use is calculated using a discounted cash flow model covering a 5 year period with an appropriate terminal growth rate at the end of that period, for each business segment. The model utilises cash flow forecasts that are based primarily on budgets presented to and approved by the Board on 23 March 2010.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Cash flow forecasts are based on each business unit's budget for the next year. Cash flows for a further four years have been extrapolated using consistent principles from the year one budget. These budgets have been presented to and approved by the Board using forecast growth rates.

- Terminal value is calculated using the Gordon growth model which is an EBIT multiple formula (a commonly used and accepted model).

- Forecast growth rates are based on CPI adjusted for past performance and management's expectations for future performance in each CGU. The growth rates for the Pharmaceuticals CGU is 4% for years one to five and 3.3% for years six and beyond (terminal value). The growth rates for the Healthcare CGU is 3.5% for years one to five and 3% for year six and beyond (terminal value). The growth rates for the Orphan CGU is 3.50% growth for years one to five and 3% for year six and beyond (terminal value).

- Pre tax discount rate used for Healthcare of 12.1% (2009: 10.5%) which approximates the CGU's weighted average cost of capital (before tax).

- Pre tax discount rate used for Pharmaceuticals of 11.77% (2009: 10.5%) which approximates the CGU's weighted average cost of capital (before tax).

- Pre tax discount rate used for Orphan of 12.1% (2009: 10.5%)

Impairment of Goodwill
During the period the carrying value of the group's goodwill was reassessed in light of a change in competitive conditions and future cash flow forecasts. The change in competitive conditions and the points raised below have directly and negatively impacted the short and long term growth rate for each CGU.

Changes in the risk profile of the Company have contributed to an increase in the Company's weighted average cost of capital.

Pharmaceuticals CGU
The period to 31 January 2010 saw continued aggressive discounting within the Generics market in which we compete leading to lower future cash flow forecasts for this business. Ultimately the synergies expected from the merger of Sigma Pharmaceuticals Limited (formerly Arrow) and Sigma Company Limited in 2005 have not been achieved, and in light of the level of increased competition and discounting which we have seen in the market, Sigma has revised the Pharmaceutical's cash flow forecasts.

This detailed exercise also considered the impact of proposed additional PBS reforms including Generic product pricing disclosure and the underlying impact that this has had on our future cash flow forecasts.

The period saw additional investment within the Consumer division in order to raise the level of brand awareness within our direct Grocery channel. However this investment did not result in the anticipated benefits expected from the Herron business and this has negatively affected our future cash flow forecasts.

14. Intangible Assets continued

Healthcare
The cash flow forecasts for our Healthcare business were also negatively impacted by the proposed additional PBS reforms.

The period to 31 January 2010 also saw an increase in competition through direct competitors offering higher discounts and rebates when compared to the same prior year period. Ultimately this has resulted in a loss of market share for the Sigma Group.

The effects of these conditions around competition and associated aggressive discounting were not fully realised until the completion of our January 2010 promotional activity.

Ultimately the synergies expected from the merger of Sigma Pharmaceuticals Limited (formerly Arrow) and Sigma Company Limited in 2005 have not been achieved, and in light of the level of increased competition and discounting which we have seen in the market, Sigma has revised the Healthcare cash flow forecasts

Finally, in the period to 31 January 2010 the Healthcare business saw significant growth in customer volumes directly relating to our large group customers. Whilst this growth translated to top line sales revenue increases, the extended trade debtor settlement terms strained the group’s working capital position. We are working with these customers to reduce the extended settlement terms to a more sustainable basis that reflects current credit conditions.

Impairment of other intangible assets (licenses and development costs).
During the period the carrying value of certain intangible assets (licenses and development costs) have been reassessed as discontinued and written down accordingly. These assets belong to the Pharmaceuticals segment.

Impact of possible changes in key assumptions
Management has considered reasonably possible shifts in the movements in key assumptions following the impairment charge.

- Further movements in the discount rate may result in further impairment. For example an increase of approximately 50 basis points in the Pharmaceuticals discount rate would increase impairment by $57m. A 50 basis points increase in the Healthcare discount rate increases impairment by $31m.
- A 30 basis point decrease in the long term growth rate for the Healthcare CGU increases impairment by $26m.
- A 30 basis point decrease in the long term growth rate for the Pharmaceuticals CGU increases impairment by $42m.

15. Deferred Income Tax Assets and Liabilities

Movements in deferred tax assets and liabilities during the financial period are:

2010 **Consolidated**	**Balance 1 February 2009 $'000**	**Recognised in income $'000**	**Recognised in equity $'000**	**Business Combination $'000**	**Balance 31 January 2010 $'000**
Trade and other receivables	**314**	**246**	**-**	**-**	**560**
Inventories	**3,262**	**4,710**	**-**	**278**	**8,250**
Trade and other accruals	**2,012**	**1,504**	**-**	**-**	**3,516**
Provisions for employee benefits	**5,223**	**1,282**	**-**	**544**	**7,049**
Other deferred tax amounts	**(1,990)**	**3,654**	**-**	**-**	**1,664**
Derivative hedge reserve	**12,093**		**(9,539)**	**-**	**2,548**
Equity raise costs capitalised in equity	**-**	**-**	**2,661**		**2,661**
Intangibles	**(62,713)**	**1,504**	**-**	**-**	**(61,209)**
Property, plant and equipment	**(7,642)**	**(1,433)**	**-**	**232**	**(8,843)**
Net deferred tax liabilities	**(49,441)**	**11,467**	**(6,878)**	**1,054**	**(43,796)**
Deferred tax assets	**41,039**	**15,000**	**(6,878)**	**1,054**	**50,215**
Deferred tax liabilities	**(90,480)**	**(3,531)**	**-**	**-**	**(94,012**
Net deferred tax liabilities	**(49,441)**	**11,467**	**(6,878)**	**1,054**	**(43,796)**

2009 **Consolidated**	Balance 1 February 2008 $'000	Recognised in income $'000	Recognised in equity $'000	Acquisition of controlled entity $'000	Balance 31 January 2009 $'000
Trade and other receivables	701	(417)	-	30	314
Inventories	3,040	194	-	28	3,262
Trade and other accruals	2,803	(791)	-	-	2,012
Provisions for employee benefits	4,385	578	-	260	5,223
Other deferred tax assets	(857)	(2,622)	13,582	-	10,103
Intangibles	(51,199)	5,263	-	(16,777)	(62,713)
Property, plant and equipment	(6,664)	(978)	-	-	(7,642)
Net deferred tax liabilities	(47,791)	1,227	13,582	(16,459)	(49,441)
Deferred tax assets	34,137	(7,033)	13,582	353	41,039
Deferred tax liabilities	(81,928)	8,260	-	(16,812)	(90,480)
Net deferred tax liabilities	(47,791)	1,227	13,582	(16,459)	(49,441)

15. Deferred Income Tax Assets and Liabilities continued

Movements in deferred tax assets and liabilities during the financial period are:

2010 The Company	Balance 1 February 2009 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 January 2010 $'000
Trade and other receivables	**-**	-	-	-
Inventories	**-**	-	-	-
Trade and other accruals	**171**	**1,146**	**-**	**1,317**
Provisions for employee benefits	**683**	**(39)**	**-**	**644**
Other deferred tax assets	**(371)**	**(30)**	**2,431**	**2,030**
Intangibles	**(7,124)**	**(317)**	**-**	**(7,441)**
Property, plant and equipment	**106**	**31**	**-**	**137**
Net deferred tax assets/(liabilities)	**(6,535)**	**791**	**2,431**	**(3,313)**
Deferred tax assets	**959**	**1,114**	**2,431**	**4,504**
Deferred tax liabilities	**(7,494)**	**(323)**		**(7,817)**
Net deferred tax assets/(liabilities)	**(6,535)**	**791**	**2,431**	**(3,313)**

2009 The Company	Balance 1 February 2008 $'000	Recognised In income $'000	Recognised in equity $'000	Balance 31 January 2009 $'000
Trade and other receivables	-	-	-	-
Inventories	-	-	-	-
Trade and other accruals	185	(14)	-	171
Provisions for employee benefits	533	150	-	683
Other deferred tax assets	-	(371)	-	(371)
Intangibles	(4,682)	(2,442)	-	(7,124)
Property, plant and equipment	176	(70)	-	106
Net deferred tax assets/(liabilities)	(3,788)	(2,747)	-	(6,535)
Deferred tax assets	894	65	-	959
Deferred tax liabilities	(4,682)	(2,812)	-	(7,494)
Net deferred tax assets/(liabilities)	(3,788)	(2,747)	-	(6,535)

16. Payables

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current				
Trade creditors	**353,876**	373,083	**-**	-
Other creditors	**53,887**	31,281	**12,994**	2,726
Amounts payable to controlled entities	**-**	-	**190,315**	184,389
Total current payables	**407,763**	404,364	**203,309**	187,115
Non-current				
Amounts payable to controlled entities	**-**	-	**11,861**	11,861
Total non-current payables	**-**	-	**11,861**	11,861

No interest is charged on amounts payable to controlled entities. The amounts are payable on demand.

Foreign currency risk
The carrying amounts of the Group's and parent entity's trade and other payables are denominated in the following currencies:

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Euro	**1,441**	3,791	**-**	-
United States Dollars	**5,309**	2,573	**-**	-
British Pounds	**678**	509	**-**	-
Other	**148**	233	**-**	-
Australian Dollars	**400,187**	397,258	**12,122**	2,726
	407,763	404,364	**12,122**	2,726

For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to note 32.

17. Interest Bearing Liabilities

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current				
Other secured loans	**86,421**	201,697	**-**	-
Unsecured bank borrowings	**192,986**	10,000	**-**	-
Total current borrowings	**279,407**	211,697	**-**	-
Gateway liability (current liability)	**42,793**	-	**-**	-
Non-current				
Other secured loans	-	98,000	**-**	-
Other unsecured loans	-	128,000	**-**	-
Total non-current borrowings	-	226,000	**-**	-

The other secured loan of $86,421,000 is secured by way of deed over certain Sigma Accounts receivable under the Waratah facility (refer Note 10 and Note 29). The deed is a fixed and floating charge of a nominal amount of $10,000 to register a security interest (as registered with the Australian Securities and Investment Commission). This agreement expires 5 February 2011.

The other unsecured loans are subject to a syndicated facility agreement. This agreement includes established financial covenants and regular reporting requirements (including financial reporting and disclosure of certain group transactions).

The total borrowings have been disclosed as current for the year ending 31 January 2010 following the covenant breach referred to in Note 1. Subsequent to the reporting date, the Group has renegotiated these debts with the syndicate including a waiver of all previous events of default. Refer to Note 29 for details of these facilities. Refer Note 33 for further events subsequent to balance date.

Details of the Group's exposure to risk arising from current and non-current borrowings are set out in note 32.

17. Interest Bearing Liabilities continued

Fair Value

The fair value of borrowings equals their carrying amount as the debt is subject to floating interest rates.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australian Dollars	**279,407**	437,697	**-**	-

For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to note 32.

Breach of banking covenants
The group has breached particular banking covenants for the period to 31 January 2010.

Refer Note 1 for further information. Refer Note 33 for further events subsequent to balance date relating to updated bank agreements.

Gateway
An amount of $42.8m has been included as interest bearing liabilities following consolidation of the Gateway Unit Trust. This amount has been classified as current as the facility will expire within 12 months. The interest rate attached to this debt is at arms length and approximates 8.5%. Refer Note 33 for further events subsequent to balance date.

Sigma Rewards
As explained in Note 2 (d) Sigma operates a debtors securitisation programme (Sigma Rewards) which allows the Group to receive cash in advance of debtors settlement. At 31 January 2010 $520 million (31 January 2009: $488 million) of debtors have been securitised in Sigma Rewards Program and recorded off balance sheet. An equivalent amount of debt is recorded off balance sheet. The maturity date of this facility is 15 March 2011, however refer Note 33 for further events subsequent to balance date.

18. Provisions

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Current				
Employee benefits	**13,874**	12,247	**1,160**	1,247
Redundancy provisions	**5,177**	-	**-**	-
Directors' retirement	**633**	613	**633**	613
Total current provisions	**19,684**	12,860	**1,793**	1,860
Non-current				
Employee benefits	**1,368**	1,030	**107**	147
Total non-current provisions	**1,368**	1,030	**107**	147

Reconciliation
Reconciliation of the provision for Directors' retirement benefits, from the beginning to the end of the financial period is set out below.

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Provision for Directors' Retirement				
Carrying amount at the beginning of the period	**613**	569	**613**	569
Provisions recognised during the year	**20**	44	**20**	44
Payment made during the year	**-**	-	**-**	-
Carrying amount at the end of the period	**633**	613	**633**	613

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For the year ended 31 January 2010

19. Share Capital

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
(a) Issued capital				
Ordinary shares fully paid	**1,390,492**	1,083,578	**1,916,708**	1,612,794
Total share capital	**1,390,492**	1,083,578	**1,916,708**	1,612,794

(b) Movements – The Company

Date	Details	Notes	No. of shares	Issue price	$'000
31-01-08	**Closing Balance**		862,194,479		1,603,686
29-10-08	Shares issued under Dividend Reinvestment Plan	8	**4,386,530**	**$1.31**	**5,755**
21-01-09	2008 Employee share plan issue		**3,457,100**	**$0.97**	**3,353**
31-01-09	**Closing Balance**		**870,038,109**		**1,612,794**
7-05-09	Shares issued under Dividend Reinvestment Plan	8	**4,714,960**	**$1.05**	**4,946**
24-09-09	Capital Raising (d)		**131,264,382**	**$1.02**	**133,890**
16-10-09	Capital Raising (d)		**160,330,394**	**$1.02**	**163,537**
	less capital raising costs, after tax				**(6,905)**
13-11-09	Shares issued under Dividend Reinvestment Plan	8	**9,324,727**	**$0.91**	**8,495**
18-01-10	2009 Employee share plan issue		**2,954,000**	**$1.00**	**2,950**
31-01-10	**Closing Balance**		**1,178,626,572**		**1,919,708**

(c) Movements – Consolidated

Date	Details	Notes			$'000
31-01-08	**Closing Balance**				1,074,470
29-10-08	Shares issued under Dividend Reinvestment Plan	8	**4,386,530**	**$1.31**	**5,755**
21-01-09	2008 Employee share plan issue		**3,457,100**	**$0.97**	**3,353**
31-01-09	**Closing Balance**				**1,083,578**
7-05-09	Shares issued under Dividend Reinvestment Plan	8	**4,714,960**	**$1.05**	**4,946**
24-09-09	Capital Raising (d)		**131,264,382**	**$1.02**	**133,890**
16-10-09	Capital Raising (d)		**160,330,394**	**$1.02**	**163,537**
	less capital raising costs, after tax				**(6,905)**
13-11-09	Shares issued under Dividend Reinvestment Plan	8	**9,324,727**	**$0.91**	**8,495**
18-01-10	2009 Employee share plan issue		**2,954,000**	**$1.00**	**2,950**
31-01-10	**Closing Balance**				**1,390,492**

(d) *$297m accelerated renounceable entitlement offer*

Sigma announced on 7 September 2009 a 1 for 3 fully underwritten accelerated renounceable entitlement offer ("AREO") to raise gross proceeds of $297 million. Deutsche Bank AG (Sydney Branch) was the sole underwriter of the AREO. Net proceeds from the equity raising was used to fund the BMSA acquisition, reduce debt and fund working capital.

(e) Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company in person or by proxy, is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value.

(f) Capital management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group and the parent entity monitor capital on the basis of net assets and the gearing ratio. The Group's syndicated borrowing facility includes a gearing ratio covenant. Net assets are calculated as total assets less total liabilities. The gearing ratio is calculated as net debt dividend by earnings before interest, tax, depreciation and amortisation. Refer Note 1 for further information on the groups capital management and Note 33 for events subsequent to balance date that relate to capital management.

20. Shares held by Equity Compensation Plan

	Consolidated 2010 $'000	2009 $'000
Movements in shares held by equity compensation plan		
Balance at the beginning of the financial period	**(20,261)**	(18,215)
Employee share plan issue	**(2,950)**	(3,353)
Movements in unvested Sigma ordinary shares held by the Employee Share Plan	**285**	1,307
Balance at the end of the financial period	**(22,926)**	(20,261)

The shares held by the "Equity Compensation Plan" account is used to record the balance of The Company's ordinary shares which as at the end of the financial year, have not vested to Group employees, and are therefore controlled by the Group. These shares are held by the Sigma Employee Share Plan ("ESP").

Refer to Note 28 for further information on the ESP.

21. Reserves

Consolidated	Capitals Profits Reserve $'000	Foreign Currency Translation Reserve $'000	General Reserve $'000	Option/ Performance Rights Reserve $'000	Options Exercised Reserve $'000	Other Comprehensive Income $'000	Total $'000
Balance at 31 January 2008	1,450	(473)	2,280	3,457	474	3,475	10,663
Foreign exchange translation expense	-	**446**	-	-	-	-	**446**
Options / performance rights expense	-	-	-	**1,001**	-	-	**1,001**
Net movement in derivatives	-	-	-	-	-	**(45,275)**	**(45,275)**
Deferred income tax	-	-	-	-	-	**13,582**	**13,583**
Balance at 31 January 2009	**1,450**	**(27)**	**2,280**	**4,458**	**474**	**(28,217)**	**(19,582)**
Foreign exchange translation expense	-	**(13)**	-	-	-	-	**(13)**
Options / performance rights expense	-	-	-	**452**	-	-	**452**
Net movement in derivatives	-	-	-	-	-	**31,816**	**31,816**
Deferred income tax	-	**(6)**	-	-	-	**(9,539)**	**(9,545)**
Balance at 31 January 2010	**1,450**	**(46)**	**2,280**	**4,910**	**474**	**(5,940)**	**3,128**

Nature and purpose of reserves
Other comprehensive income
Other comprehensive income is used to record adjustments to revalue derivative financial instruments to fair or market value, where the derivative financial instruments qualify for hedge accounting. Upon realisation of the underlying hedged transactions in future financial periods, these revaluation adjustments are reversed from other comprehensive income, and taken to the income statement.

Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in the income statement when the net investment is disposed of.

Option/performance rights reserve
This reserve is used to recognise the fair value of shares, performance rights and options issued to employees.

21. Reserves (continued)

The Company	Options / Performance Rights Reserve $'000	Options Exercised Reserve $'000	Total $'000
Balance at 31 January 2008	1,942	176	2,118
Options / Performance Rights Expense	**814**	**-**	**814**
Options Exercised	**-**	**-**	**-**
Balance at 31 January 2009	**2,756**	**176**	**2,932**
Options / Performance Rights Expense	**452**	**-**	**452**
Options Exercised	**-**	**-**	**-**
Balance at 31 January 2010	**3,208**	**176**	**3,384**

22. Expenditure Commitments

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Contracts for capital expenditure for which no amounts have been provided					
Payable not later than one year		**22,943**	2,309	**-**	-
Non-cancellable operating leases & licence commitments	22(a)				
Expenditure contracted but not provided for in the financial statements:					
- Payable not later than one year		**10,378**	11,210	**1,495**	1,836
- Payable later than one year but not later than five years		**23,594**	18,779	**262**	2,266
- Payable later than five years		**-**	-	**-**	-
		33,972	29,989	**1,757**	4,102
Remuneration commitments					
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities:	22(b)				
- Payable not later than one year		**2,608**	3,170	**2,608**	3,170
		2,608	3,170	**2,608**	3,170

(a) Assets that are the subject of operating leases include leased premises, licences for sale of certain products, motor vehicles and items of machinery and equipment. The average lease term for leased premises is 5 years with the majority of leases providing for additional option periods. Contingent rental provisions within the lease agreement provide for increases within the rental structure in line with the CPI and market value. The average lease term for equipment rental and licence agreements is 3 and 4 years respectively.

(b) Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in Note 24 that are not recognised as liabilities and are not included in the directors' or executives' remuneration.

23. Auditors Remuneration

	Consolidated		The Company	
	2010	2009	2010	2009
	$	$	$	$
During the year the auditors, and its related practices, of Sigma Pharmaceuticals Limited earned the following remuneration:				
Audit or review of financial reports of the entity or any controlled entity				
- PricewaterhouseCoopers, Australia	**860,000**	618,468	**55,000**	54,500
Other assurance services provided by PricewaterhouseCoopers, Australia				
Other assurance services	**307,984**	50,000	**-**	-
Other services provided by a related practice of PricewaterhouseCoopers, Australia				
Tax compliance services provided by PricewaterhouseCoopers, Australia	**42,500**	-	**-**	-
Tax compliance services provided by PricewaterhouseCoopers, New Zealand	**7,500**	25,736	**-**	-
Total Remuneration	**1,217,984**	694,204	**55,000**	54,500

24. Key Management Personnel Disclosures

The following persons were directors of the Company during the financial year:

Directors	Position	Details
Dr J Stocker AO	Chairman	
Mr E de Alwis	CEO/Managing Director	
Mr B Jamieson	Non-executive Director	
Ms L Nicholls AO	Non-executive Director	
Mr W Scott	Non-executive Director	
Mr D Curlewis	Non-executive Director	
Mr D Bayes	Non-executive Director	
Mr D Manuel	Non-executive Director	(appointed 26 October 2009)

Key Management Personnel

The following persons held executive positions with responsibility and authority for the strategic direction and management of both the Company and the Group during the financial year.

Name	Position	Date of change in position
Mr I Finlay	General Manager Operations	Commenced 27 January 2009
Mr M Smith	Chief Financial Officer	
Ms J Toh	Chief Information Officer and General Manger Logistics	
Mr S Waller	General Manager Sales	
Mr K Jeffs	General Manager Medical	Commenced 22 April 2009
Former Executives		
Mr A Bell	General Manger - Operations	Resigned 30 June 2008
Mr C Tangalakis	General Manager Marketing	Resigned 19 December 2008

Sue Morgan-Dethick was appointed to company secretary on 25 August 2009.

Individual directors and executives compensation disclosures
Information regarding individual directors and executives' compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 12 to 28. The disclosures in the Remuneration Report are audited.

Apart from the details disclosed in this Note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

Total Remuneration for the Group's Key Management Personnel

	Short-term benefits				Post Employment Benefits			Share Benefits	
Key Management personnel	**Financial Year**	**Salary and Base Fees**	**Committee Fees**	**Non-Monetary Benefits**	**Super-annuation Benefits**	**Retirement Benefits**	**Termination Benefits**	**Value of performance rights**	**Total**
Total Directors	**2010**	**1,827,317**	**104,000**	**49,365**	**91,652**	**20,530**	**-**	**388,480**	**2,481,344**
	2009	1,789,552	102,332	47,209	75,429	43,795	-	765,133	2,823,450
Total Executives	**2010**	**1,695,553**	**-**	**85,558**	**133,452**	**-**	**-**	**143,186**	**2,057,749**
	2009	1,523,223	-	94,244	180,823	-	206,064	84,695	2,089,049
Total Remuneration	**2010**	**3,522,870**	**104,000**	**134,923**	**225,104**	**20,530**	**-**	**531,666**	**4,539,094**
	2009 *	3,312,775	102,332	141,453	256,252	43,795	206,064	849,828	4,912,499

24. Key Management Personnel Disclosures continued

Options and Rights Holdings
The following table details the options and rights issued by the Company to Key Management Personnel.

Options / Performance Rights Awarded to CEO/MD

Grant Date	Number Issued	Exercise Price/ Amount Payable	Fair value per option at grant date[1]	First exercise date[2]	Balance at 31/1/09	Lapsed/ exercised during financial year	Balance at 31/1/10
7 October 2004	1,108,750[3]	-	$1.06[3]	07/10/07	1,108,750	(1,108,750)	-
7 October 2004	1,108,750[3]	-	$0.95[3]	07/10/08	1,108,750	(1,108,750)	
7 October 2004	2,217,500[3]	-	$0.82[3]	07/10/09	2,217,500	(2,217,500)	
1 November 2006	200,735	-	$1.85	31/01/09 & 31/10/09[4]	200,735	(200,735)-	-
26 October 2007	399,912	-	$1.04	31/01/10 & 26/10/10[4]	399,912	-	399,912
31 October 2008	456,968	-	$0.96	31/01/11 & 31/10/11[4]	456,968	-	456,968
31 November 2009	621,840	-	$0.70	30/11/2012	-	-	180,588

[1] The fair value of performance rights has been determined by Mercer Finance and Risk Consulting using the Monte-Carlo option pricing model.
[2] Performance rights granted to the CEO/Managing Director will only vest after satisfying the performance criteria. No rights vested or were exercised during the financial year.
[3] Reissued and adjusted for the merger conversion ratio of 4.435 Sigma Pharmaceuticals Ltd (formerly Arrow Pharmaceuticals Ltd) shares for every 1 Sigma Company Ltd share upon the merger of the two companies effective 5 December 2005.
[4] The EPS Growth performance condition is tested at 31 January, the TSR performance condition is tested on the 3rd anniversary of the Grant Date

Performance Rights Issued to Key Executive Personnel

Executive	Grant Date	Number Issued	Exercise Price/ Amount Payable	Fair Value per Share Right at Grant Date[1]	Exercise Date[2]	Balance at 01/02/09	Lapsed during year	Balance at 31/1/10
Mr. Keith Jeffs	31/11/09	111,223	-	$0.70	30/11/12	-	-	111,213
Mr. Mark Smith	31/10/08	132,520	-	$0.96	31/01/11 & 31/10/11	132,520	-	132,520
	31/11/09	181,213	-	$0.70	30/11/12	-	-	181,213
Mr Ian Finlay	31/11/09	161,779	-	$0.70	30/11/12	-	-	161,779
Ms. Jackie Toh	31/10/08	133,358	-	$0.96	31/01/11 & 31/10/11	133,358	-	133,358
	26/10/07	122,670	-	$1.04	31/01/10 & 26/10/10	122,670	-	122,670
	01/11/06	50,000	-	$1.85	31/01/09 & 31/10/09	50,000	(50,000)	-
	31/11/09	180,588	-	$0.70	30/11/12	-	-	180,588
Mr. Steven Waller	31/10/08	118,811	-	$0.96	31/01/11 & 31/10/11	118,811	-	118,811
	31/11/09	160,889	-	$0.70	30/11/12	-	-	160,889

1 The fair value of performance rights is not the price that shares were traded at. Rather, it is calculated using the Black-Scholes methodology to produce a Monte-Carlo simulation model which allows for the incorporation of performance hurdles that must be met before the shares can vest. The calculation is performed independently by the leading global remuneration experts Mercer (Australia).
1 Performance rights granted to the CEO/Managing Director will only vest after satisfying the performance criteria outlined in the Remuneration Report.
1 The EPS Growth performance condition is tested at 31 January; the TSR performance condition is tested on the 3rd anniversary of the grant date.

Options Granted by Arrow Group APS
During their employment with Arrow Pharmaceuticals Ltd Mr C Tangalakis and Mr P Williams were granted options over the Company's ordinary shares held by Arrow Group ApS. These options were acquired at arms length fair values and consequently are not dependent on satisfaction of a performance condition. Details of the options held are as follows:

Name	Grant date	Number issued	Number Exercised	Exercise price	Premium payable	Fair value per option at grant date	Exercise date	Expiry Date
Mr C Tangalakis	13-May-05	800,000	-	$2.00	$0.54	$0.54	1-Jan-09	31-Mar-09
Mr P Williams	13-May-05	800,000	-	$2.00	$0.54	$0.54	1-Jan-09	31-Mar-09

24. Key Management Personnel Disclosures continued

Equity Holdings of Key Management Personnel

	Number of shares at 01/02/09	Number of shares acquired through Share Plans during the year	Number of shares purchased during the year (excluding share plans)	Number of shares sold during the year	Number of shares at 31/01/10
Directors					
Dr J Stocker AO	285,040	37,121[27]	-	-	322,161
Mr E de Alwis	1,817,592	-	605,865	-	2,423,457
Mr D Bayes	39,457	15,270[1]	20,118	-	74,845
Mr D Curlewis	37,710	15,994[1]	-	-	53,704
Mr B Jamieson	107,621	27,107[1]	52,292	-	187,020
Mr D Manuel	10,252	-	4,406	-	14,658
Ms L Nicholls AO	238,440	29,264[1]	110,250	-	377,954
Mr W Scott	4,656,393	15,270[1]	1,580,298	-	6,251,961
Total for Directors	**7,192,505**	**140,026**	**2,373,229**	**-**	**9,705,760**
Key Executive Personnel					
Mr I Finlay	-	-	-	-	-
Mr K Jeffs	-	4,000[28]	10,000	-	14,000
Mr M Smith	54,000	4,000[2]	18,001	-	76,001
Ms J Toh	26,703	4,000[2]	69	-	30,772
Mr S Waller	-	-	-	-	-
Total for Key Executive Personnel	**80,703**	**12,000**	**28,070**	**-**	**120,773**
Total for Key Management Personnel	**7,273,208**	**152,026**	**2,401,299**	**-**	**9,826,533**

[1] Represents shares purchased on-market under the non-Executive Director Share Plan.
[2] Represents shares allotted under the Sigma Employee Share Plan.

25. Related Party Disclosures

The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group. Details in relation to parent Company related party transactions have been disclosed in the detailed notes.

Controlled entities

Interests in controlled entities are set out in Note 27.

The Group does not hold any investments, other than in controlled entities and jointly controlled entities, over which it has significant influence.

The Company transacted business throughout the financial period with certain controlled entities in respect of purchases of goods and services. These transactions were undertaken on normal commercial terms and conditions.

Key Management personnel

Disclosures relating to key management personnel are set out in Note 24 and in the Remuneration Report.

Other transactions with directors
(a) Purchases by directors or director-related entities
Directors and their director-related entities purchase goods from the group on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to other customers of the group.

Mr W Scott and his director-related entities purchased pharmacy products from the group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the financial year ending 31 January 2010 was $15,208,061 (2009 - $13,150,956).

Mr D Manuel and his director-related entities purchased pharmacy products from the group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the financial year ending 31 January 2010 was $4,522,475.

The amounts receivable at balance date from directors or director-related entities included within trade debtors in Note 10 was $4,174,275 (2009 - $2,792,047). Amounts receivable from directors or director-related entities are subject to the group's normal trading terms and conditions.

(b) Provision of guarantees by director-related entities
Ms L Nicholls was a Director of St George Bank Limited. Prior to Ms Nicholls becoming a director, St George Bank Limited provided loans to pharmacists and these loans were guaranteed by a controlled entity. These guarantees are not provided on terms more favourable than those available to other guarantee holders.

(c) Other transactions
Dr J Stocker is a Director of Telstra Corporation Limited. The Group obtains telecommunications services from Telstra Corporation Limited. Ms L Nicholls was a former director of Australia Post. The Group obtains postal services from Australia Post.

Other transactions entered into by Sigma Pharmaceuticals Limited and the Group with directors and their director-related entities are within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available in similar arms length dealings.

26. Guarantees

	Consolidated 2010 $'000	Consolidated 2009 $'000	The Company 2010 $'000	The Company 2009 $'000
Guarantees existed at the end of year in respect of -				
Guarantor for borrowings of controlled entities		-	**279,000**	436,000
Pharmacist guarantees [(a)]	**1,000**	2,158	**-**	-
Sigma Rewards guarantee[(b)]	**13,900**	16,000	**-**	-
Other guarantees	**2,762**	4,891	**-**	-
American express guarantee[(c)]	**16,964**	18,000	**-**	-
	34,626	41,049	**279,000**	436,000

(a) Sigma provides financial guarantees to a number of banks in relation to the borrowings of individual pharmacists. These borrowings relate to the financing of pharmacies. Sigma is therefore exposed to the financial viability of such pharmacies and the risk of their financial failure.

As at 31 January 2010, 1 guarantee had been provided (2009 – 9 guarantees). The amount outstanding in respect of these guarantees at this date was $1.2 million (2009 - $3.0 million). Sigma has maintained a loss indemnity program, which has had the effect of reducing the contingent liability under the guarantee program at 31 January 2010 to $1.0m (2009 - $2.2m). The program comprises a series of identical capping arrangements with the major holders of Sigma's guarantees.

To further manage its guarantee risk, Sigma maintains stringent review procedures and controls over the approval of new guarantees and the ongoing monitoring of guarantee exposures. These include:

- bank-trained personnel to manage the processing and ongoing monitoring of guarantees;
- extensive Board-approved policies and procedures for the processing of applications, approval standards, security and documentation standards, ongoing monitoring and review requirements and performance reporting; and
- regular reporting to the Board and senior management on the performance of the guarantee portfolio, including portfolio analysis based on approved risk categorisation criteria.

Management has assessed the fair value of these financial guarantees as nil.

(b) Amount represents a bank guarantee in respect of financing payment obligations under the Sigma Rewards program to ensure the finance charge abides by the credit rating agency's requirements.

(c) The Group has provided a guarantee to American Express in the event of default by a cardholder using American Express to settle their trade account. The amount outstanding in respect of cardholders at reporting date was approximately $17m. Refer Note 29 for further information.

Deed of Cross Guarantee
Under the terms of a Deed of Cross Guarantee dated 20 January 2006, entered into accordance with the ASIC Class Order 98/1418, the Company has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the Deed. Refer to Note 31.

27. Details of Controlled Entities

	Country of formation or incorporations	Sigma Pharmaceuticals Group direct or indirect interest in ordinary shares/equity 2010 %	2009 %
Sigma Pharmaceuticals Limited (formerly Arrow Pharmaceuticals Limited) **Controlled entities -**	Australia		
Chemist Club Pty Limited [a]	Australia	**100**	100
Sigma Company Limited [a]	Australia	**100**	100
Allied Master Chemists of Australia Limited [a]	Australia	**100**	100
Leodis (Australia) Company Proprietary Limited [a]	Australia	**100**	100
Orphan Holdings Pty Ltd [a]	Australia	**100**	100
Orphan Australia Pty Ltd [a]	Australia	**100**	100
QP Pharmaceuticals Pty Ltd [a]	Australia	**100**	100
Amcal Pty. Limited [a]	Australia	**100**	100
Commonwealth Drug Company Pty. Ltd. (in liquidation) [a]	Australia	**100**	100
Andrews Laboratories Pty. Ltd (in liquidation) [a]	Australia	**100**	100
Building & Trading Pty. Ltd. (in liquidation) [a]	Australia	**100**	100
Griffith Drug Company Pty. Limited (in liquidation) [a]	Australia	**100**	100
Extend – A – Care Pty. Ltd [a]	Australia	**100**	100
Fawns & McAllan Proprietary Limited [a]	Australia	**100**	100
Guardian Pharmacies Australia Pty. Ltd [a]	Australia	**100**	100
Sigma Employee Share Administration Pty. Ltd	Australia	**100**	100
Sigma Finance Pty. Ltd [a]	Australia	**100**	100
Sigma NZ Limited	New Zealand	**100**	100
Pharmacy Wholesalers (Wellington) Limited	New Zealand	**100**	100
Sigma Pharmaceuticals (Australia) Pty. Ltd. (formerly Sigma Pharmaceuticals Pty. Ltd) [a]	Australia	**100**	100
Herron Pharmaceuticals Pty. Ltd [a]	Australia	**100**	100
Chemist's Own Pty. Ltd [a]	Australia	**100**	100
Stephen Hunter (Pharmaceutical Exports) Pty. Limited [a]	Australia	**100**	100
Whole Health Solutions Pty. Ltd [a]	Australia	**100**	100
Adrian Laboratories (Aust) Pty. Ltd [a]	Australia	**100**	100
Hilton Healthstream Pty. Ltd [a]	Australia	**100**	100
Health Haven Pty. Ltd [a]	Australia	**100**	100
Integrated Naturopathic Services Pty. Ltd [a]	Australia	**100**	100
Sigma (Hong Kong) Pty. Limited	Hong Kong	**100**	100
Sigma Services Proprietary Limited [a]	Australia	**100**	100
QDL Limited [a]	Australia	**100**	100
Arrow Pharmaceuticals Pty Ltd (formerly Quality Pharmaceuticals Pty Ltd) [a]	Australia	**100**	100
Australian Pharmaceuticals Distributors Pty. Ltd [a]	Australia	**100**	100
QDL Pharmaceuticals Pty. Ltd [a]	Australia	**100**	100
Sunshine Pharmacies Pty. Ltd [a]	Australia	**100**	100
Sigma Research Pty. Ltd [a]	Australia	**100**	100
Pharmacy Finance Limited [a]	Australia	**100**	100
Sigma (W.A.) Pty. Ltd [a]	Australia	**100**	100

(a) *These wholly-owned companies are subject to a deed of cross guarantee. Refer to Note 31.*

28. Superannuation and Share Ownership Plans

Superannuation Funds
The Group participates in a number of Superannuation Funds, which provide retirement benefits and insurance arrangements including both death in service and salary continuance benefits. In line with choice of fund legislation, effective from 1 July 2005, the Group's default superannuation plan operates within the Colonial First State and the Plum Superannuation Master Trust structures, which provide a wide range of investment choices for members. In addition to the default Superannuation Funds, the Group also contributes to a number of individual employee funds where employees have exercised choice. All funds in which the Group participates are administered on an accumulation basis.

The Group meets all Superannuation Guarantee requirements and generally contributes at a level exceeding award and legislative requirements. There exists a legally enforceable obligation to make such contributions as are required by legislative requirements and by the rules of the Plan.

Additional voluntary employee contributions can be made to the fund alongside the mandatory Superannuation Guarantee contributions. Such contributions can be made up to the specified age based limits.

Industry/Union Plans
The Group participates in industry and union plans on behalf of certain employees. These plans operate on an accumulation basis and provide lump sum benefits for members on resignation, retirement or death.

The employer companies have legally enforceable obligations to contribute at varying rates to these plans.

Employee Option Plan
Prior to the merger between SPL (formerly APL) and Sigma Company Ltd in December 2005, the Company had previously established an employee option plan where, at the discretion of management, options could be granted over the ordinary shares of the Company to directors, executives and other staff members of the Group and of other related entities. The options, issued for nil consideration, were granted in accordance with performance guidelines established by the directors of the Company, although management retained the discretion on issue of the options. The options were issued for a term of 10 years and are exercisable on varying dates. The options could not be transferred without express consent from the directors and were not quoted on the ASX.

All options under the Employee Option Plan were exercised in previous financial years, with the last exercise date being 2 January 2007.

28. Superannuation and Share Ownership Plans continued

Employee Share Plan

The Company's employee share plan periodically offers ordinary shares to all full or part time employees of the Group. In all respects the ordinary shares issued under the plan rank equally with all other fully paid ordinary shares on issue. Interest free loans can be offered to acquire the shares. The price at which shares are issued is determined by the weighted average price of ordinary shares over the five trading days prior to and including the date of issue of shares.

At balance date the following shares were on issue:

Issue date	Issue price [(a)]	Total shares on issue [(a)]
5 July 1999	$0.44	-
31 October 2001	$0.66	789,430
9 December 2002	$0.89	906,517
4 August 2003	$1.28	1,279,942
20 September 2004	$1.66	2,188,674
16 June 2006	$2.48	4,083,500
21 January 2009	$0.97	3,324,600
18 January 2010	$1.00	2,954,000
		15,526,663

(a) The issue price on shares prior to 16 June 2006 have been adjusted for the merger conversion ratio of 4.435:1

The Employee share Plan is administered by Sigma Employee Share Administration Pty. Ltd, a controlled entity.

Interest free loans from Sigma Employee Share Administration Pty. Ltd to employees are for a period of 10 years and are secured by the shares issued. The loans are repayable from dividends received on the shares from voluntary loan repayments. If an employee leaves employment within the group, he or she can repay the loan in full and acquire unrestricted ownership of the shares. If the employee does not wish to acquire the shares and repay the loan, the shares are transferred to Sigma Employee Share Administration Pty. Ltd for later sale on market to repay the remaining balance of the loan. The market value of Sigma ordinary shares at 31 January 2010 was approximately $0.935 (2009 - $1.20).

29. Standby Arrangements and Credit Facilities

	Consolidated		The Company	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Credit standby arrangements				
Secured bank overdraft facilities [(a)]	**4,000**	4,000	**-**	-
Amount of credit unused	**4,000**	-	**-**	-
Waratah debtors securitisation facility available [(a)]	**100,000**	100,000	**-**	-
Waratah debtors securitisation facility unused	**14,000**	2,000	**-**	-
Uncommitted bank facilities [(b)]	**40,000**	40,000	**-**	-
Amount of credit unused	**40,000**	30,000	**-**	-
Committed unsecured term loan facilities [(a)]	**400,000**	500,000	**-**	-
Amount of credit unused	**207,000**	172,000	**-**	-

[a)] As a consequence of the adjustments referred to in note 1 the group had breached particular banking covenants for the period to 31 January 2010. Accordingly all on balance sheet debt obligations were reclassified as current liabilities at 31 January 2010, but breaches have been waived subsequent to year end.

Please refer to Note 1 for further information on these facilities in light of the covenant breach. For the avoidance of doubt it is the drawn portion (used) that is recognised on our balance sheet (and reclassified as current).

[(b)] These facilities were withdrawn following the covenant breach. These facilities will be cancelled.

Refer Note 33 for further events subsequent to balance date.

29. Standby Arrangements and Credit Facilities (continued)

Waratah Facility

The Company has a debtor securitisation arrangement with Westpac Banking Corporation by which it transfers to a third party selected trade debtors in exchange for an immediate cash payment while retaining an exposure to credit losses and continuing obligation to service its accounts with these customers. The maximum amount allowed to be drawn on this facility is $100 million. This facility and the associated debt is recorded on balance sheet. This facility is a committed facility and expires on 5 February 2011. Refer Note 33 for further events subsequent to balance date.

American Express facility

In addition to the facilities noted above, during the period to 31 January 2010 the group entered into a formal agreement with American Express for a new debtor payment programme.

This program relies on eligible debtors being available for sale to American Express. At balance date this program was undrawn.

Risk of debtor default ultimately lies with Sigma by virtue of a separate credit protection agreement that was also signed with American Express. Under this agreement Sigma must make good all bad debts incurred between the debtor and American Express. In return Sigma is entitled to a merchant fee of 35 basis points which effectively represents an insurance premium. In future reporting periods and as the facility is used; Sigma will be required to fair value the credit protection agreement in accordance with AASB139. The fair value amount will be recognised as an expense within the income statement. Subsequent to reporting date it was decided not to proceed with this facility.

30. Notes to the Cash Flow Statements

	Consolidated		The Company	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
(a) Reconciliation of cash and cash equivalents				
Cash at the end of the financial period as shown in the Cash Flow statement is reconciled to the related items in the balance sheets as follows:				
Cash and Cash equivalents	**14,418**	(1,189) *	**33,184**	33,184
** Note prior year comparative is in overdraft.*				
(b) Reconciliation of profit for the year to net cash flows from operating activities				
(Loss)/Profit for the year	**(389,042)**	80,124	**(646,517)**	55,595
Impairment of goodwill and other assets	**437,143**	228	**703,335**	**-**
Impairment in jointly controlled entities	**1,221**	-	**-**	-
Depreciation expense	**13,427**	14,181	**250**	281
Amortisation expense	**32,401**	30,320	**2,243**	1,744
Share-based payments expense	**452**	1,001	**400**	814
Write-off of plant and equipment	**14**	4	**-**	-
Loss/(profit) on sale of property, plant and equipment	**(366)**	(1,843)	**61**	(1)
Change in assets and liabilities:				
Increase/(decrease) in net deferred taxes payable	**(23,354)**	8,677	**(6,773)**	13,209
(Increase)/decrease in inventories	**(7,544)**	28,965	**-**	-
(Increase)/decrease in trade, other debtors and prepayments	**(45,904)**	(17,300)	**4,029**	4,633
Increase/(decrease) in trade, other creditors, employee entitlements and other provisions	**774**	101,523	**15,595**	1,305
Net cash flows from operating activities	**19,224**	245,880	**72,623**	77,808

30. Notes to the Cash Flow Statements (continued)

(c) Businesses acquired during the year
Sigma Pharmaceuticals Limited ("Sigma") announced on 7 September 2009 that it had agreed to acquire some parts of the Australian business operations of Bristol Myers Squibb Australia ("BMSA") and associated assets ("BMS Australian Business"). The BMS Australian Business is comprised of the Pharmaceutical and Technical Operations Division which employs approximately 150 people and operates out of BMS Australia's Noble Park facility. Settlement occurred on 2 October 2009 with a total purchase price of $70 million (excluding GST).

Details of the provisional fair values of the identifiable net assets acquired are detailed below.

	Fair values recognised on acquisition $'000
Current assets	
Inventory	10,970
Prepayments	67
Total current assets	11,037
Non-current assets	
Property, plant and equipment	38,358
Customer relationships and product rights	19,371
Deferred tax assets	1,053
Total non-current assets	58,782
Total assets	69,819
Current liabilities	
Provisions	(1,049)
Total current liabilities	(1,049)
Non-current liabilities	
Provisions	(764)
Total non-current liabilities	(764)
Total liabilities	(1,813)
Net assets at fair value	68,006
Goodwill arising on acquisition	**1,995**
Purchase Consideration	**70,001**
Consideration	
Cash	68,012
Costs associated with the acquisition	1,989
Total consideration	**70,001**

During the period 2 October 2009 to 31 January 2010, the BMS Asset Acquisition contributed revenues of $12,018,000 and net profit of $1,845,000 to the Group (including fair value adjustments). If the acquisition had occurred on 1 February 2009, the beginning of the Group's reporting period, management estimates that the contribution would have been revenues of approximately $50,000,000 and net profit after tax of $9,400,000.

31. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) the wholly-owned Australian controlled entities listed in Note 27 footnote (a) are relieved from the Corporations Act requirements for the preparation, audit and lodgement of financial reports. These entities which are also referred to in the Directors' Declaration are, together with the Company, all members of the 'Extended Closed Group' as defined under the Class Order and are parties to a Deed of Cross Guarantee dated 20 January 2006, which provides that the parties to the Deed will guarantee to each creditor payment in full of any debt of these entities on winding up of that entity.

A Consolidated Income Statement and Balance Sheet comprising the Company and those Australian controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 31 January 2010 is set out below:

	2010 $'000	2009 $'000
Sales Revenue	**3,220,430**	3,081,287
Cost of goods sold	**(2,890,891)**	(2,706,761)
Gross Profit	**329,539**	374,526
Other revenue and income	**50,681**	43,014
Warehousing and delivery expenses	**(73,567)**	(69,255)
Sales and marketing expenses	**(91,988)**	(88,748)
Administration and other expenses	**(73,322)**	(64,904)
Share of net losses from equity accounted investment	**(140)**	(266)
Impairment of joint venture investment	**(1,221)**	-
Impairment of other intangibles	**(12,920)**	-
Impairment of Gateway loans	**(2,500)**	-
Impairment of goodwill	**(424,230)**	-
Plant rationalisation and restructuring costs	**(9,509)**	(4,292)
(Loss)/Profit before finance costs	**(309,177)**	190,075
Finance income	**822**	1,201
Financial expenses	**(72,925)**	(77,906)
Net financing costs	**(72,104)**	(76,705)
(Loss)/Profit before income tax	**(381,281)**	113,370
Income tax (expense)/benefit	**(7,889)**	(33,457)
(Loss)/Profit for the year	**(389,170)**	79,913
Retained profits at the beginning of the financial period	**158,177**	137,926
Total available for appropriation	**(230,993)**	217,839
Dividends provided for or paid	**(68,897)**	(59,662)
Retained (losses)/profits at the end of the financial period	**(299,890)**	158,177

31. Deed of Cross Guarantee continued

	2010 $'000	2009 $'000
Balance Sheets		
Current assets		
Cash and cash equivalents	**14,418**	(1,189)
Receivables	**345,964**	309,479
Inventories	**343,918**	325,404
Derivative financial instruments	**1,180**	1,367
Prepayments	**10,358**	8,745
Total current assets	**715,838**	643,806
Non-current assets		
Receivables	**34,305**	25,905
Gateway loans receivable	**43,274**	-
Property, plant and equipment	**225,091**	182,268
Investment in subsidiaries	**-**	4,776
Investments accounted for using the equity method	**-**	1,292
Derivative financial instruments	**3,069**	123
Intangible assets	**885,957**	1,329,911
Deferred tax assets	**50,215**	41,036
Total non-current assets	**1,241,911**	1,585,311
Total assets	**1,957,749**	2,229,117
Current liabilities		
Payables	**408,522**	404,511
Interest bearing liabilities Gateway	**42,793**	-
Interest bearing liabilities	**279,407**	211,697
Current income tax liabilities	**5,360**	15,870
Derivative financial instruments	**4,667**	23,307
Deferred income	**1,921**	-
Provisions	**19,684**	12,808
Total current liabilities	**762,354**	668,193
Non-current liabilities		
Payables	**27,095**	24,492
Interest bearing liabilities	**-**	226,000
Deferred tax liabilities	**94,012**	89,504
Deferred income	**500**	-
Derivative financial instruments	**1,616**	17,942
Provisions	**1,368**	1,030
Total non-current liabilities	**124,591**	358,968
Total liabilities	**886,945**	1,027,161
Net assets	**1,070,804**	1,201,956
Equity		
Issued capital	**1,390,492**	1,083,578
Issued capital held by equity compensation plan	**(22,926)**	(20,261)
Reserves	**3,128**	(19,538)
Retained (losses)/profits	**(299,890)**	158,177
Total parent entity interest	**1,070,804**	1,201,956

32. Financial Instruments

Note 32 should be read in conjunction with Note 33 for details of events subsequent to balance date.

Financial Risk Management
Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk and interest rate risk, use of derivative financial instruments and non-derivative financial instruments.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall risk management aim is to mitigate these risks and minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rates swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange risks and ageing analysis for credit risk.

Financial instruments are also used by the Group to raise finance and maintain liquidity and are primarily comprised of bank loans, securitisation facilities, an overdraft facility, cash and the short term money market. Trade payables and trade receivables are financial instruments incidental to the Group as part of it's operations.

Interest rate and foreign exchange rate risk exposures are managed by quantifying the impact of adverse interest and foreign exchange rate movements on the overall profitability of the Group and entering into hedging contracts seeking to protect a predetermined level of forecast profitability that may otherwise be impacted by unfavourable market rate movements.

The Group's Treasury function acts under the authorisation granted in the Policy and compliance is monitored by the Risk Management and Audit Committee within parameters set by the Board, via monthly reporting to the Board.

(a) Market risk
(i) Foreign exchange risk

Foreign exchange risk arises from future anticipated commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

A portion of the Group's supply and export contracts is sourced from a variety of overseas entities and payable in the corresponding local currency. The major currencies are principally US Dollars (USD), Euros (EUR), British Pound (GBP) and New Zealand Dollars (NZD). Accordingly the Group is exposed to foreign exchange risk arising from currency movements.

The Board approved Group Treasury risk management policy is to maintain a hedging level where the Value at Risk from the rolling 12 month foreign exchange forecast exposures is to be kept below negative 1% of budgeted net profit/(loss) after tax, therefore ensuring Sigma's performance is not adversely affected by an unfavourable exchange rate movement. Year two may be hedged up to 25% of forecast exposures.

The Group documents and designates hedging transactions to an underlying exposure at inception of the hedging contract and recognises any ineffective portion in earnings. All of the Group's foreign exchange hedging contracts have been designated as cash flow hedges for the current period. The Group may utilise forward contracts and currency options to manage the risks. Speculative or trading foreign currency activities are not permitted and hedging contracts may not have longer than 24 month maturity timeframes.

(ii) Cash flow and fair value interest rate risk

Interest rate risk relates to the Group's cash flow exposures to changes in interest rates on the Group's interest bearing liabilities. As interest rates fluctuate, the amount of interest payable on financing where the interest rate is not fixed will also fluctuate. Consistent with the Policy, the Group may seek to mitigate its exposure to fluctuations in interest rates by entering into interest rate hedging contracts for a portion of forecast interest rate exposures. The Group will document and designate such hedging transactions to an underlying exposure at inception of the hedging contract and recognise any ineffective portion in earnings. All of the Group's interest rate hedging contracts have been designated as cash flow hedges for the current period and have matched terms consistent with the underlying designated interest rate exposures, including off balance sheet facilities. The Group may utilise interest rate swaps, options and forward rate agreements to manage the risks. Option instruments include caps, floors and collars. Speculative or trading interest rate activities are not permitted, and hedging contracts may have not have longer than a five year maturity timeframe.

The Group's main interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to use a Value at Risk methodology and minimum percentage of interest rate hedging. During 2010 and 2009, the Group's borrowings at variable rate were denominated in Australian Dollars.

Group Treasury analyses its interest rate exposure on a time series basis. Year 1 and 2 hedging must result in an impact of less than 1% and 3% respectively of forecasted Net Profit after Tax to be at risk in each of these years. Year 3 hedging must be at a minimum of 25% of the forecasted debt level to be hedged, whilst years four and five can be hedged up to 15% of forecast debt levels. The hedging should match the underlying exposure to the interest rate for each time series.

Various scenarios are simulated and based on them, Group Treasury calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. The simulation is performed on a monthly basis to verify that the maximum loss potential is within the limit provided by management.

32. Financial Instruments continued

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps and options to achieve a predetermined maximum and/or minimum interest rate for its exposure to floating interest rate obligations on an agreed notional principle. The Group agrees with other parties to exchange, at specified intervals (mainly monthly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts. Interest Rates options have the economic effect of converting borrowings floating rates to fixed rates at a known worst case rate but with the potential ability to achieve a more favourable interest rate if the prevailing market rate is lower than the strike price at expiry. Generally, the Group raises short-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly.

(iii) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk (sensitivity against the implied 30 day bank bill rate for interest rate risk and sensitivity against the end of year spot rates on traded currencies for foreign exchange risk). The table below represents the quantitative impact on the financial statements should the variation occur.

		Interest rate risk				Foreign exchange risk			
	Carrying	-1%		+1%		-10%		+10%	
	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 January 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets									
Cash and Cash Equivalent	14,418	(144)	-	144	-	2	-	(1)	-
Accounts Receivable	283,877	-	-	-	-	-	-	-	-
Derivatives – cash flow hedges	4,248	(2,166)	(2,682)	2,166	3,485	-	-	-	-
Financial liabilities									
Trade Payables	(353,876)	-	-	-	-	(758)	-	689	-
Derivatives – cash flow hedges	(6,283)	(2,311)	(3,851)	2,311	3,779	-	-	-	-
Borrowings on balance sheet	(279,407)	2,794	-	(2,794)	-	-	-	-	-
Borrowings off balance sheet (Rewards)	(520,000)	5,200	-	(5,200)	-	-	-	-	-
Total increase/(decrease)		3,373	(6,533)	(3,373)	7,264	(756)	-	688	-

Note: The information detailed above is pre tax. Also note that the 31 January 2010 table includes our off balance sheet Sigma Rewards debt to add further transparency to the sensitivity disclosures.

		Interest rate risk				Foreign exchange risk			
	Carrying	-1%		+1%		-10%		+10%	
	Amount	Profit	Equity	Profit	Equity	Profit	Equity	Profit	Equity
31 January 2009	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets									
Cash and Cash Equivalent	(1,189)	(12)	-	12	-	1	-	-	-
Accounts Receivable	231,796	-	-	-	-	233	-	(105)	-
Derivatives – cash flow hedges	1,490	-	-	-	-	663	2,136	(543)	(1,302)
Financial liabilities									
Trade Payables	(373,083)	-	-	-	-	(663)	-	543	-
Derivatives – cash flow hedges	(41,249)	(7,329)	(8,786)	7,329	8,786	-	-	-	-
Borrowings on balance sheet	(437,697)	4,377		(4,377)	-	-	-	-	-
Total increase/(decrease)	-	(2,964)	(8,786)	(2,964)	8,786	234	2,136	(105)	(1,302)

Note: The information detailed above is pre tax.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Only reputable banks and financial institutions are accepted as sources of funding. Customer credit assessments determine the credit quality after assessing their financial position, past experience and other relevant factors. Individual risk limits are granted in accordance with the internal Credit Policy and authorised via appropriate personnel as defined by the Groups Delegation of Authority manual. The utilisation of credit limits by customers is regularly monitored by operational management. A proportion of customers settle in cash or using major credit cards, mitigating credit risk.

Credit risk further arises in relation to financial guarantees given to certain parties. Such guarantees are only provided in exceptional circumstances and are approved by senior management.

32. Financial Instruments continued

Major concentrations of credit risk arise from the principal activity of the Group which gives rise to large receivables. Concentration of individual credit risk is limited due to the large number of customers. The credit risk on financial assets of the Group which have been recognised on balance sheet is generally the carrying amount, net of any provisions for doubtful debts. The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of the receivables above. Credit risk also arises on guarantees provided, as detailed in Note 26.

(c) Liquidity Risk

Liquidity risk management implies maintaining sufficient cash, marketable securities and access to cash via committed credit lines in order to meet commitments as and when they fall due. Group Treasury manages the surety and flexibility in funding by ensuring committed credit lines are available. The Weighted Average Term to Maturity of committed bank facilities and rolling cash flow forecasts are periodically provided to management. The table below analyses the Group's financial liabilities and net settled derivative financial instruments into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (principal and interest components), except for interest rate options and swaps. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 January 2010	Current Less than 1 year $'000	Non current Between 1 year and 2 years $'000	Non current Between 2 years and 5 years $'000	Non current Over 5 years $'000
Bank overdrafts and loans	294,878 **	-	-	-
Payables	407,763	-	-	-
Gateway liability	46,430	-	-	-
Interest rate options and swaps*	3,881	1,338	278	-
Guarantees as per Note 26	34,626	-	-	-

* The amounts expected to be payable/receivable in relation to the interest rate options and swaps have been estimated using forward interest rates applicable at the reporting date.
** The $295 million includes a principal component of $86 million and $193 million which is due and payable on demand following the breach of banking covenant referred to in Note 1 (previous due date was February 2011 and September 2011 respectively).

Based on this maturity analysis, management is of the view that committed facilities are adequate to cover future cash flow requirements.

At 31 January 2009	Current Less than 1 year $'000	Non current Between 1 year and 2 years $'000	Non current Between 2 years and 5 years $'000	Non current Over 5 years $'000
Bank overdrafts and loans	226,485	107,939	128,000	-
Payables	404,364	-	-	-
Interest rate options and swaps*	23,252	16,522	1,420	-
Guarantees as per Note 26	41,049	-	-	-

* The amounts expected to be payable/receivable in relation to the interest rate options and swaps have been estimated using forward interest rates applicable at the reporting date.

Liquidity risk associated with Sigma Rewards

As explained in Note 2 (d) Sigma operates a debtors securitisation programme (Sigma Rewards) which allows the Group to receive cash in advance of debtors settlement. In preparing cash flow projections and analysing liquidity risk, management take into consideration the timing of cash flows associated with the Sigma Rewards Programme. At 31 January 2010 $520,000,000 (31 January 2009: $488,000,000) of debtors have been securitised in Sigma Rewards Program. The Sigma Rewards Program is a committed facility. The Lenders have the ability to call the debt at any stage and demand repayment within 120 days. This facility has been available to the Group since 2005 and there has been no calls made by the Lenders. Conversely Sigma also has the ability to wind down the facility at its sole discretion.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounts cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. The carrying value less impairment provision of trade receivables and carrying value of payables are reasonable approximations of their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

32. Financial Instruments continued

Derivative Financial Instruments
The derivative instruments used by group and detailed below are classified as Level 2 in accordance with AASB 7 *Financial Instruments Disclosures.* Level 2 refers to the fair value hierarchy specified in AASB 7, whereby the fair value of such derivatives is determined by inputs other than quoted prices that are observable for the asset or liability. All derivatives used by the Group qualify as cash flow hedge and the fair value is deferred in equity until the underlying hedged transaction occurs.

There are no financial assets or financial liabilities carried at fair value on the balance sheet whose fair value measurements are classified as Level 1 or Level 3, and there are no other items included in Level 2.

(a) Net fair value of derivative instruments
The fair value of Sigma's derivative financial instruments is detailed below:

	Consolidated		The Company	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**
Current Assets				
Interest rate options – cash flow hedges	**299**	-	**-**	-
Interest rate swaps – cash flow hedges	**753**	-	**-**	-
Foreign exchange forward contracts – cash flow hedges	**42**	1,188	**-**	-
Foreign exchange options – cash flow hedges	**86**	179	**-**	-
Total current derivative financial instrument assets	**1,180**	1,367	**-**	**-**
Non Current Assets				
Interest rate options – cash flow hedges	**452**	-	**-**	-
Interest rate swaps – cash flow hedges	**2,617**	-	**-**	-
Foreign exchange forward contracts – cash flow hedges	**-**	1	**-**	-
Foreign exchange options – cash flow hedges	**-**	122	**-**	-
Total non current derivative financial instruments assets	**3,069**	123	**-**	-
Total derivative assets current and non-current	**4,249**	1,490	**-**	
Current Liabilities				
Interest rate options – cash flow hedges	**2,287**	4,983	**-**	-
Interest rate swaps – cash flow hedges	**1,594**	18,269	**-**	-
Foreign exchange forward contracts – cash flow hedges	**786**	55	**-**	-
Total current derivative financial instrument liabilities	**4,667**	23,307	**-**	-
Non Current Liabilities				
Interest rate options – cash flow hedges	**742**	4,866	**-**	-
Interest rate swaps – cash flow hedges	**873**	13,076	**-**	-
Total non current derivative financial instrument liabilities	**1,616**	17,942	**-**	-
Total derivative liabilities current and non-current	**6,283**	41,249	**-**	

(b) Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of the business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies.

Interest rate swap contracts – cash flow hedges
Interest rate swaps allow the Group to swap floating rate borrowings into fixed rate obligations. Each swap entered into involves the payment or receipt of the net amount of interest between fixed and floating rates on monthly basis, calculated by reference to an agreed notional principal amount. The weighted average fixed interest rate on the Group's interest rate swap contracts for the financial period ending 31 January 2010 was 5.3% (2009: 5.8%) over a notional principal of $480,000,000 (2009: $755,000,000) – covering both on and off balance sheet debt.

Bank loans of the Group currently bear an average variable interest rate of 6.5% (2009: 5.4%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

32. Financial Instruments continued

Swaps currently in place are timed to expire as each loan repayment falls due. The fixed interest rates range between 3.6% and 7.3% (2009: 2.8% and 7.6%). The contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. In the year ended 31 January 2010 a loss of $16,045,782 was transferred to profit and loss (2009: loss of $1,227) and included in finance cost. This loss does not reflect ineffective hedges, instead it reflects the floating interest rate compared to our fixed swap rate. Any ineffective portion is recognised in the income statement immediately.

At balance date for both the Group and the parent entity these contracts were liabilities with a fair value of $902,442 (2009: liabilities of $31,346,000). In the year ended 31 January 2010 there was a gain from the increase in the fair value of $30,344,558 (2009: loss of $35,352,000).

Interest rate option contracts – cash flow hedges.

Interest rate options allow the Group to achieve predetermined maximum and/or minimum interest rates for its exposure to floating interest rate obligations on an agreed notional principal amount. Underlying debt of the Group currently bears an average variable interest rate of 6.5% (2008: 5.4%). Accordingly, the Group has entered into options that allow the Group to protect part of the loans from exposure to increasing interest rates.

Interest rate options include caps, floors and collars. Each floor (cap) involves the receipt (payment) of an up front premium amount as well as an exchange of the net amount of interest between the floor or cap rate and the floating rate (if necessary) on a monthly basis.

When bought separately and not in conjunction with an associated floor, interest rate caps are used to achieve a known maximum interest rate outcome for an agreed notional principal amount. For interest rate caps held as at 31 January 2010, the weighted average cap rate was 6.0% (2009: nil) over a notional principal of $150 million (2009: nil).

In some instances, caps and floors are bought and sold simultaneously so as to achieve a known interest rate range outcome (collar) for an agreed notional principal amount. The premium paid by the Group for call options purchased as part of a collar structure is at least equal to the premium generated for put options sold. For interest rate collars held as at 31 January 2010, the weighted average cap rate was 7.9% (2009: 7.9%) over a notional principal of $150 million (2009: $150 million) and the weighted average floor rate was 6.7% (2009: 6.7%) over a notional principal of $150 million (2009: $150 million).

Interest rate option contracts require settlement of net interest receivable or payable each 30 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. In the year ended 31 January 2010 a loss of $4,139,756 was transferred to profit and loss (2009: gain of $647,527) and included in finance cost. The ineffective portion is the recognised in the income statement immediately. Changes in the extrinsic value of interest rate options are periodically recorded in the income statement over the life of the instrument.

As at 31 January 2010, interest rate swaps and interest rate options currently in place together cover approximately 56% of the relevant on and off balance sheet loan principal exposures.

Summary of interest rate derivative financial instruments

As at 31 January 2010

	Interest rate swaps		Interest rate caps		Interest rate floors	
Maturing in the period ending	**Notional face value $'000**	**Average Rate %**	**Notional face value $'000**	**Average Rate %**	**Notional face value $'000**	**Average Rate %**
1 year or less	250,000	5.5	50,000	7.4	50,000	6.5
1 to 2 years	75,000	4.4	125,000	7.7	100,000	6.9
2 to 5 years	155,000	5.2	125,000	6.0	-	-

As at 31 January 2009

	Interest rate swaps		Interest rate caps		Interest rate floors	
Maturing in the period ending	**Notional face value $'000**	**Average Rate %**	**Notional face value $'000**	**Average Rate %**	**Notional face value $'000**	**Average Rate %**
1 year or less	155,000	5.1	-	-	-	-
1 to 2 years	425,000	6.0	50,000	7.4	50,000	6.5
2 to 5 years	175,000	6.0	100,000	8.1	100,000	6.9

32. Financial Instruments continued

Foreign currency options – cash flow hedges

Sigma Pharmaceuticals Limited has entered into the foreign currency option contracts for the anticipated purchase of inventory.

These contracts are hedging highly probable forecasted purchases for the ensuring financial year. The contracts are timed to mature when payments are scheduled to be made. The cash flows are expected to occur at various dates within one year from the balance date. At balance date, the details of outstanding contracts are:

Maturity	Sell Australian dollars		Average exchange rate	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Buy USD				
0 – 6 months	**1,250**	-	**0.80**	**-**
6 – 12 months	**-**	-	**-**	**-**
Buy Euro				
0 – 6 months	**2,212**	-	**0.57**	**-**
6 – 12 months	**4,038**	-	**0.56**	**-**
Buy GBP				
0 – 6 months	**722**	329	**0.55**	**0.46**
6 – 12 months	**187**	-	**0.55**	**-**
12 – 18 months	**-**	941	**-**	**0.43**

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurements of the component recognised in the balance sheet by the related amount deferred in equity. During the year ended 31 January 2010 a gain of $1,435,087 (2009: loss of $131,636) was removed from equity and included in the acquisition cost of inventory.

Forward exchange contracts – cash flow hedges

Sigma Pharmaceuticals Limited has entered into the forward exchange contracts for the anticipated purchase of inventory. These contracts are hedging highly probable forecasted purchases for the ensuing financial year. The contracts are timed to mature when payments are scheduled to be made. The cash flows are expected to occur at various dates within one year from the balance date. At balance date, the details of outstanding contracts are:

Maturity	Sell Australian dollars		Average exchange rate	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Buy US Dollars				
0 – 6 months	3,557	3,311	0.71	0.69
6 – 12 months	-	861	-	0.67
Buy Euro				
0 – 6 months	1,907	3,000	0.60	0.52
6 – 12 months	-	2,000	-	0.52
Buy Great British Pounds				
0 – 6 months	-	634	-	0.44
6 – 12 months	907	950	0.56	0.43
12 – 18 months	-	200	-	0.43

32. Financial Instruments continued

Maturity	Buy Australian dollars		Average exchange rate	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Sell New Zealand Dollars				
0 – 6 months	398	1,500	1.19	1.14
6 – 12 months	-	1,500	-	1.17

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the balance sheet by the related amount deferred in equity. The net deferred exchange loss on short-term hedges of anticipated foreign currency exposures recognised in equity is $552,784 (2009: Gain of $1,096,186).

(c) Credit risk exposures

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity. This arises on derivative financial instruments with unrealised gains. At reporting date $4,248,430 is receivable (Australian dollar equivalents) from the Group from interest rate swap contracts and options and forward exchange contracts and options (2009: $1,096,187).

The Group undertakes 100% of its transaction in foreign exchange and interest rate contracts with reputable financial institutions.

33. Events subsequent to reporting date

Since the end of the financial year no final dividend has been declared by the directors.

In line with normal day to day cash management the group drew down an additional $302,000,000 of syndicated debt and repaid $95,000,000 of this debt in line with normal maturity profiles. The group also paid down $18,000,000 in relation to the Group's on balance sheet debtors securitisation programme Waratah. In addition the Group drew down $326,000,000 in relation to our off balance sheet Sigma Rewards debtor securitisation programme and repaid $360,000,000 in line with normal maturity profiles. During the period post year end the Group has increased cash and cash equivalents by $126,000,000. These increases since the reporting date reflect the peak in our yearly working capital cycle.

Renegotiation of banking facilities
The Group and the Company have incurred losses of $389,042,000 and $646,517,000 respectively during the financial year ended 31 January 2010 including impairment of $424,230,000 of the Group's goodwill and $703,335,000 impairment of the parent company's investment in subsidiaries.

As a result of the significant asset write-downs in asset values, at 31 January 2010 the Group breached particular borrowing covenants relating to its syndicated banking facility (as detailed individually below). Because of these breaches, the borrowings amounting to $279,407,000 have been reclassified as current liabilities as the lenders have the right but not the obligation to demand immediate repayment of the borrowings. As a result the Group, at 31 January 2010, had a working capital deficiency of $45,719,000.

At no time has the Group failed to meet its principal or interest payment obligations.

Subsequent to the reporting date, the Group has renegotiated the syndicated banking facility (with an effective date of 31 March 2010) with the banking syndicate including a waiver of all previous events of default (including under the Waratah facility which was in cross default following the covenant breach).

Syndicated banking facility
The original syndicated debt facility of $400,000,000 was due to expire and be repaid on 18 September 2011. The new amended facility is expected to be repaid as follows:

- $40,000,000 to be repaid via permitted disposals by 30 September 2010;
- $50,000,000 to be repaid via permitted disposals by 30 November 2010; and
- $10,000,000 to be repaid by 31 March 2011.
- The balance of $300,000,000 to be repaid in line with the original facility date of 18 September 2011.

Permitted disposals are defined in the agreement to include individually identified commercial properties and businesses that are owned by the Group. Other assets can be sold to meet the target dates noted above, however this requires the prior consent of all Lenders within the banking syndicate if the value of the disposed assets exceeds $10,000,000.

Failure to meet the specified amounts by the specified dates will constitute a Review Event. Following a Review Event Sigma would have a period of 7 days to agree with Lenders a strategy to rectify the Review Event. Failure to do so within the 7 days would allow the lenders the right but not the obligation to demand immediate repayment of the syndicated debt facility.

In addition there have been the following amendments made in the new facility agreement:

- The Group will need to provide quarterly unaudited management accounts to the lender group within 45 days of each quarter end;

- The Interest Cover Ratios (EBITDA to Interest Expense) to be satisfied have been reset to 2.50 times (rolling 12 months to 30 April 2010), 2.50 times (rolling 12 months to 31 July 2010), 2.75 times (rolling 12 months to 31 October 2010) and 3.00 times thereafter

- The Gearing Ratios (Financial Indebtedness to EBITDA less net interest and fees attributable to the off balance sheet Securitisation Programs have been reset to 2.50 times to 30 April 2010, 2.25 times to 31 July 2010, 2.25 times to 31 October 2010 and 2.00 times thereafter

33. Events subsequent to reporting date continued

Renegotiation of banking facilities (continued)

Syndicated banking facility (continued)

- The minimum net asset level to be maintained by the Group is $1,000,000,000 at each quarter end testing date

- A new borrowing base covenant has been introduced relating to asset levels and borrowing levels. It is a condition subsequent of the Facility that the terms of this covenant be agreed and signed within 45 days of execution of the new agreement.

- No subsidiaries of the Group may, without prior written consent of the Lenders, make any acquisition where the consideration would exceed $10,000,000, in any 12 month period, provided that, any such acquisition is in relation to assets located, or entities incorporated in Australia and/or New Zealand.

- The cap of permitted joint ventures has been reduced from $50,000,000 to $10,000,000. Any amount greater than $10,000,000 requires the prior written consent from the Lenders.

- The facility is to be secured by fixed and floating charges over all unencumbered assets of the Group and freehold mortgages over real property owned by the Group. The security must be in place within 45 days of executing the new facility agreement

- Dividends may be paid with the discretionary consent of the banking syndicate for the half year to 31 July 2010. In respect of the full year ending 31 January 2011, dividends can be paid if the following conditions are met
  1. the aggregate amount of dividend or other return to the shareholders does not exceed 50% of total net profit after tax derived for the financial year ended on 31 January 2011
  2. No event of default or review event has occurred and is subsisting
  3. the payment of such dividend or return would not give rise to an event of default or review; and
  4. all of the Lenders otherwise consent in writing.

- If the Company undertakes a capital raising the Company shall ensure that the net proceeds will be applied to reduce outstanding debt.

- Within 45 days of executing the new facility agreement the Group must appoint a sales agent and commercial advisor to facilitate the sale of certain assets and businesses whereby proceeds from these sales must be used to repay $40,000,000 of borrowings by 30 September 2010 and a further $50,000,000 by 30 November 2010.

- Within 90 days from the date of the new facility agreement the Group must deliver to the Lenders a strategic review of the Group to be undertaken by Lazard or another advisor as approved by the Lenders.

Sigma Rewards Facility
As explained in Note 2 (d) Sigma operates a debtors securitisation programme (Sigma Rewards) which allows the Group to receive cash in advance of debtors settlement. At 31 January 2010 $520,000,000 (31 January 2009: $488,000,000) of debtors have been securitised in Sigma Rewards Program and recorded off balance sheet. An equivalent amount of debt has also been recorded off balance sheet.

This facility is not cross defaulted with the syndicated debt – therefore the covenant breaches referred to above (within the syndicated banking facility) did not result in the Lenders of the Sigma Rewards facility having the right to demand repayment.

However there have been five amendments agreed to the existing facility agreement:

- Collections from the debtors are to be paid directly to the Trust account (the Trust holds the debtors and debt that funds the cash advance to Sigma). This needs to be implemented by not later than 30 September 2010. This has no effect on Sigma's balance sheet;

- Sigma currently acts as 'The Servicer' for the Sigma Rewards Facility (effectively an administration role). Sigma needs to appoint a 'Backup Servicer' by not later than 30 September 2010. This is viewed by Sigma as an administrative change.

33. Events subsequent to reporting date continued

Renegotiation of banking facilities (continued)

Sigma Rewards Facility (continued)

- The Sigma Rewards facility currently has a fixed credit enhancement mechanism of 10%. This means that the Senior Funders advance a maximum of 90% of the funds required within this facility. Sigma needs to change the facility from the fixed credit enhancement of 10% to a variable credit enhancement subject to a minimum 10% by not later than 30 September 2010. This means that the amounts the Senior Funders advance could be less than the current 90%.

- The existing eligibility criteria allows for up to 1% of the debtors pool to be sold into the facility that are due for payment greater than 175 days from the end of the month they are sold into the Facility. This eligibility criteria are to be amended so that the 175 days is reduced to 90 days from the end of the month they are sold into Facility with due regard for any contractual or legal restrictions that may exist between Sigma and the debtors. These amendments must be in place by 21 December 2010. In addition, existing debtors within the facility with terms greater than 175 days are to be reduced to Nil by 28 April 2010.

- The facility is also to be amended to allow for the issuance of medium term notes. This has the effect of broadening the investor base to increase the source of funding available for the Senior Funders.

Whilst the maturity date has remained unchanged (15 March 2011), the Senior Funder requires the points above to be completed to their satisfaction by 15 September 2010. If this is not implemented this may affect the Senior Funder's decision at or around that time to extend the liquidity support facilities beyond 15 March 2011.

The Lenders have the ability to cancel the facility at any stage by giving 120 days notice to Sigma. This facility has been available to the Group since 2005 and there has been no calls made by the Lenders. Conversely Sigma also has the ability to wind down the facility at its sole discretion. In addition we note that the margin and fees attached to the Sigma Rewards facility have increased.

Waratah Facility

The Company has a debtor securitisation arrangement with Westpac Banking Corporation by which it transfers to a third party selected trade debtors in exchange for an immediate cash payment while retaining an exposure to credit losses and continuing obligation to service its accounts with these customers. The maximum amount allowed to be drawn on this facility is $100 million. This facility and the associated debt is recorded on balance sheet. The debtors sold into the Waratah facility yields a cash advance equivalent to approximately 80% of the face value of the debtor.

This facility is cross defaulted with the syndicated debt – therefore the covenant breaches referred to above (within the syndicated banking facility) resulted in the Lenders of the Waratah facility having the right to terminate the facility and demand repayment.

Subsequent to the reporting date, the Group has renegotiated the Waratah facility with effect from 31 March 2010 with the banking syndicate including a waiver of all previous events of default.

The original Waratah facility of $100,000,000 was due to expire and be repaid on 5 February 2011. The new amended facility is on substantially the same terms and conditions, including the repayment date.

Gateway Pharmacy Finance Facility

The consolidated group operates a Pharmacy Financing programme referred to as Gateway. The Gateway programme allows Sigma to source competitive funding for Sigma customers as part of the overall Embrace programme.

Previously this programme was recorded off balance sheet, however pharmacy defaults within the programme during the second half of the financial year resulted in Sigma being exposed to the risks associated with the remaining loan pool requiring Sigma to consolidate the underlying Unit Trust (the special purpose vehicle used to hold the Gateway loans). Sigma has an ongoing programme for pharmacy borrowers to refinance these loans through alternative funding arrangements in the 2010/11 financial year.

33. Events subsequent to reporting date continued

Renegotiation of banking facilities (continued)

Gateway Pharmacy Finance Facility (continued)

This current facility is not cross defaulted with the syndicated debt – therefore the covenant breaches referred to above (within the syndicated banking facility) did not result in the Lenders of the Gateway Pharmacy Finance Facility having the right to demand repayment.

However there have been amendments to the existing facility agreement as follows:

- Sigma is required to invest a further $4,074,635 by no later than 31 March 2010 (cash paid on 31 March 2010).
- Sigma is required to buy back a total of $9,275,174 of individual loans within the existing loan pool. This buy back will be achieved by Sigma depositing the full amount into a new bank account held within the trust. This would have the effect of reducing both cash on hand as well as the 'Interest Bearing Liabilities – Gateway' which is currently disclosed on the balance sheet within current liabilities (cash paid on 31 March 2010).
- The new amended facility is cross defaulted with the syndicated debt facility referred to above.
- The termination date of the facility is to be extended to 19 December 2010 (previous expiry date was 19 December 2009).

In addition the margin and fees attached to the Gateway Pharmacy Finance facility have increased.

Other
At the request of the Company Sigma has not traded on the Australian Securities Exchange since 25th February 2010.

No other matter or circumstance has arisen since 31 January 2010 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years not otherwise disclosed above.

Directors' Declaration

In the opinion of the directors of Sigma Pharmaceuticals Limited:

(a) the financial statements and notes, set out on pages 30 to 92, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company and the consolidated entity as at 31 January 2010 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(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.

There are reasonable grounds to believe that the Company and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC class Order 98/1418.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 January 2010 pursuant to Section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

For and on behalf of the Board.

Dr John W Stocker, AO
Chairman

Mr Elmo de Alwis
Managing Director

Melbourne
31 March 2010

PRICEWATERHOUSECOOPERS

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Independent auditor's report to the members of Sigma Pharmaceuticals Limited

Report on the financial report

We have audited the accompanying financial report of Sigma Pharmaceuticals Limited (the company), which comprises the statement of financial position as at 31 January 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Sigma Pharmaceuticals Limited and the Sigma Pharmaceuticals Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Independent auditor's report to the members of Sigma Pharmaceuticals Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Sigma Pharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 January 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report and notes also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter - Significant Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 1(b) in the financial report which highlights that the company and the consolidated entity has recently renegotiated its syndicated banking facility. In the event of a breach of the facility it could become immediately repayable and there is uncertainty as to how the Group's lenders may react in these circumstances. Accordingly there is significant uncertainty as to whether the company and the consolidated entity will continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 12 to 28 of the directors' report for the year ended 31 January 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Sigma Pharmaceuticals Limited for the year ended 31 January 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Mary B. Waldron

Mary Waldron
Partner

Melbourne
31 March 2010