SIGMA

EXPERIENCE STRATEGY POTENTIAL

2012–2013 FINANCIAL REPORT | TOWARDS THE NEXT 100 YEARS

CONTENTS

DIRECTORS' REPORT

The Directors' Report of Sigma Pharmaceuticals Limited (the Company) and its controlled entities (the Group) for the financial year ended 31 January 2013.

DIRECTORS

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

Mr B Jamieson

Mr M Hooper

Mr D Bayes

Mr R Gunston

Mr D Manuel

Ms L Nicholls, AO

Company Secretary: Ms S Morgan

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/options over fully paid ordinary shares
Mr B Jamieson	475,659	–
Mr M Hooper	100,000	13,907,532
Mr D Bayes	186,209	–
Mr R Gunston	77,314	–
Mr D Manuel	108,910	–
Ms L Nicholls, AO	496,991	–

REVIEW AND RESULTS OF OPERATIONS

Sales revenue during the last financial year increased by 3.1% or $88,524,000 to $2,942,391,000. This is despite the impact of substantial PBS price reform introduced by the Federal Government, which results in the reduction of PBS listed prices for a range of generic drugs distributed by wholesalers such as Sigma.

On April 1 2012, a significant number of price reductions came into effect, which roughly equated to $8.5 million a month of sales value. Adjusted for this ten month impact, the sales growth would have been 6.1% on a like for like basis.

Gross Profit for the year grew by $5,730,000 to $208,409,000. This represents a gross profit margin of 7.1%, which is similar to the previous year. This margin percentage reflects the reduction of customers' PBS discounts to partially offset the loss of income from the PBS reform described above, offset by a number of inventory issues associated with a refrigeration malfunction at the Newcastle Distribution Centre, which was disclosed in a market update in December 2012.

The most significant operating expense below Gross Profit is the Warehouse and Delivery expenses. These expenses grew during the year by $10,283,000 or 11.2%, which was a disappointing result. Part of the higher expense was due to higher volumes, and the industrial dispute in Victoria in March 2012. Significant work is currently being undertaken to improve efficiencies within the Distribution Centres, to ensure a competitive cost to serve is achieved.

The Sales and Marketing expenses decreased significantly on the prior year, primarily due to the non-recurrence of a large doubtful debt provision in the prior year.

Administration expenses increased compared to the prior year due to a number of factors including increased people costs resulting from the investment made in operational capacity in Category Management, Supply Chain and back office support functions: the benefits of which are expected to flow through in coming years.

In addition, the prior year benefited from cost recoveries associated with the transitional support provided to Aspen Pharmacare on the sale of the Pharmaceutical division in 2011.

The litigation settlement expense represents the net expense arising from the $57.5 million shareholder class action, after taking into account legal fees and the proceeds from insurance.

Interest expense decreased during the year due to improvements in managing Sigma's working capital cycle and more efficient use of debt facilities. In addition, during the year the limit of the Waratah securitisation facility was reduced from $200 million to $125 million, thereby reducing the impact of unused limit fees. Interest income was lower due to the lower average net cash on hand year on year, following the payment of the 15 cent special dividend in May 2011, and payment of the settlement of the shareholder class action of $57.5 million in December 2012. The overall net effect was net interest income being roughly comparable year on year.

Income tax expense is lower than the prior year, primarily due to the lower profit arising from the class action settlement. The effective tax rate is below the prior year due to a credit to tax expense being recognised from the reversal of Deferred Tax Liabilities associated with intangible assets that will never be taxable, given the significant capital losses available to offset any capital gain that may arise upon future disposal.

Overall Net Profit after tax of $18,686,000 is lower than the prior year due to the litigation settlement expense. Adjusting for the after tax impact of this expense of $33,603,000, Net Profit after tax for the year would have been $52,289,000 compared to $50,262,000 on a continuing operations basis for the prior year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the course of the financial year ended 31 January 2013 were the wholesale distribution of pharmaceutical products and the provision of services to retail pharmacies.

There were no other significant changes in the nature of the activities of the Group during the financial year not otherwise mentioned in this report.

EVENTS SUBSEQUENT TO THE REPORTING DATE

No other matter or circumstance has arisen since 31 January 2013 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.

DIVIDENDS

A fully franked interim dividend of 2.0 cents, amounting to $23,726,000 was paid on 26 October 2012.

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked final dividend of 2.0 cents to be paid on 19 April 2013 to shareholders on the register at the ex-dividend date of 19 March 2013. The total amount payable for these dividends is $23,253,000.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Sigma remains well placed to pursue improved returns built on the significant investment undertaken in key operational parts of the business together with its enhanced retail offer.

Whilst PBS reform is likely to continue to be an ongoing challenge and the broader retail sector remains difficult the strategy implemented in the last two years is believed to position the company for growth.

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 & Nomination Committee Meetings	
Directors	No. held during the term	No. attended	No. held during the term	No. attended	No. held during the term	No. of meetings attended as a committee member	No. held during the term	No. of meetings attended as a committee member
Mr B Jamieson	7	7	2	2	–	–	–	–
Mr M Hooper	7	7	2	2	–	–	–	–
Mr D Bayes	7	7	2	2	4	4	5	5
Mr R Gunston	7	7	2	2	4	4	5	5
Mr D Manuel	7	7	2	2	–	–	5	5
Ms L Nicholls, AO	7	7	2	1	4	4	–	–

Risk Management and Audit Committee Members: Ms L Nicholls AO, Mr D Bayes, Mr R Gunston

Remuneration and Nomination Committee Members: Mr D Bayes, Mr D Manuel, Mr R Gunston

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 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.

During the financial year, the Company indemnified Linda Nicholls and Brian Jamieson (Non-Executive Directors), Jeff Sells and Sue Morgan (Officers) for legal costs in complying with ASIC Notices. The amount paid by the Company was $41,186.

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 2013. 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, Deloitte for non-audit services are provided in the table below:

	2013 $
Other services	
Other advisory services	69,114
Total remuneration	69,114

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

CEO AND MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER DECLARATION

The CEO and 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.

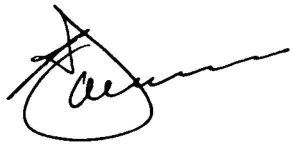
DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION POLICY

Details of the Group's Remuneration Policy in respect of the Directors and Senior Managers are included in the Remuneration Report on pages 5 to 20. Details of the remuneration paid to each Non-Executive Director, the CEO and 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:



Mr Brian Jamieson
Chairman

Mr Mark Hooper
CEO and Managing Director

Melbourne
13 March 2013

REMUNERATION REPORT 2012–13

CONTENTS

INTRODUCTION

Dear Shareholder,

I am pleased to present Sigma's 2012 Remuneration Report (Report).

2012 was a challenging year for our industry. The Company's focus this year has been on managing the impact of ongoing industry issues as well as enhancing our business capabilities in order to underpin the delivery of long-term profitability and future growth.

To support this, we continue to invest in the enhancement and development of systems, processes, infrastructure and people.

We have completed the recruitment of our senior management team, and their contributions will be vital to the delivery of our strategic vision and growth of the Company over time.

Financial performance for the year was in line with our expectations. Consistent with our commitment to ensuring remuneration is linked to company performance, this year's actual incentive payments to our Executives represent a reduction from the previous financial year when Company performance exceeded our expectations. An overview of the key remuneration outcomes for the financial year is as follows:

- Based on the achievement of predefined performance targets, the CEO/Managing Director earned 71.25% and the other Executives earned on average 73.75% of their maximum Short-term Incentive (STI) payment (set out on pages 9–11).
- In line with market movement, business and individual performance, the CEO/Managing Director and the other Executives received a 4% and 5% increase to their fixed remuneration respectively (set out on page 9).
- Non-Executive Director base fees and committee fees were increased by 4% in line with external market movement.
- The Return on Invested Capital (ROIC) performance hurdle has been raised from the previous year's 11% to 14% for all participants of the 2012 Long-Term Incentive (LTI) Plan (set out on pages 11–13).

In complying with the Corporations Act 2001, the statutory remuneration tables at the end of this Report include accounting expensed amounts, which relate to accrued leave and potential future earnings (for example from LTI Plans that have not vested and therefore, have not provided any actual benefit to the Executive). For this reason, the remuneration data in these statutory tables does not represent what the CEO/Managing Director and other Executives actually received for the financial year.

Accordingly we have included the following table to provide a clear and transparent summary of the total remuneration actually received by the CEO/Managing Director and other Executives for the financial year. Remuneration was paid in three categories:

- **Fixed remuneration** – base salary and company superannuation contributions
- **STI cash payments** – cash amounts received for meeting predefined performance targets set under the current year's STI Plan
- **Vested Equity** – the market value at vesting date of Sigma shares allocated during the financial year in respect to the previous year's awarded STIs
- No financial benefit has been received by the CEO/Managing Director and other Executives from LTI Plans during the financial year, as no LTI Plans vested during this period.

	2012–13			
Executive	Fixed Remuneration $	STI Cash Payment $	Vested STI Equity $	Total $
Mr M Hooper CEO/Managing Director	1,124,760	485,503	229,842	1,840,105
Mr G Dunne Chief Operating Officer	518,750	116,156	24,925	659,831
Mr J Sells Chief Operating Officer	488,374	109,768	47,108	645,250

In line with the ASX Corporate Governance Principles and Recommendations, this year has also seen the completion of a Board review. With assistance from our external independent advisers, Towers Watson, this entailed reviewing our Board practices against a range of measures to ensure that the Board is operating effectively.

It has been an exciting and challenging year at Sigma. As Chairman of the Remuneration and Nomination Committee, I will continue to monitor the Company's remuneration strategy ensuring its alignment to shareholder interests and effectiveness in motivating and rewarding our employees.

David Bayes
Chairman – Remuneration and Nomination Committee

REMUNERATION REPORT

The Sigma Remuneration Report (Report) for the financial year ended 31 January 2013 (financial year) is prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and its subsidiaries and has been audited by the Company auditors, Deloitte Touche Tohmatsu, as required by section 308(3C) of the *Corporations Act 2001*.

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

- all Non-Executive Directors of the Company (Directors), and
- Executives who are listed in the table below.

Non-Executive Directors	
Mr B Jamieson	Chairman
Mr D Bayes	Non-Executive Director
Mr R Gunston	Non-Executive Director
Mr D Manuel	Non-Executive Director
Ms L Nicholls	Non-Executive Director
Executives	
Mr M Hooper	CEO/Managing Director
Mr G Dunne	Chief Operating Officer
Mr J Sells	Chief Financial Officer

The above Directors and Executives were the Key Management Personnel for the whole of the financial year, unless otherwise noted.

REMUNERATION GOVERNANCE

The Remuneration and Nomination Committee (Committee) is governed by its Charter (available at www.sigmaco.com.au). The responsibilities of the Committee include making recommendations to the Board and advising the Board on the following:

- executive remuneration policies including design, performance measures and participation in the STI Plan, LTI Plan and broad-based Employee Equity Plan
- annual CEO/Managing Director performance review and remuneration review
- remuneration and contract arrangements for the CEO/Managing Director and Executive team
- executive recruitment, retention, succession planning and termination policies
- superannuation arrangements
- remuneration and diversity disclosure
- periodic review of Board performance, composition and succession planning
- identification and recommendation of suitable candidates for appointment to the Board
- Non-Executive Director remuneration policies and fee reviews.

The Committee comprises three independent Non-Executive Directors, being the Committee Chairman and two Members:

Name	Role	Member from
Mr D Bayes	Chairman	June 2007
Mr R Gunston	Member	June 2011
Mr D Manuel	Member	July 2010

Non-Executive Directors who are not members of the Committee may attend Committee meetings under a standing invitation. The CEO/Managing Director and General Manager Human Resources attend Committee meetings and provide input into the discussions as required. Decisions made by the Committee regarding an individual Executive's remuneration are made without that Executive being present.

In accordance with section 206K of the *Corporations Act 2001*, the Committee has an established process for engaging Remuneration Consultants. The Committee, on behalf of the Board, commissions and receives information, advice and recommendations directly from Remuneration Consultants, ensuring remuneration recommendations are free of undue influence by management.

During the financial year, Towers Watson was engaged by the Committee, in accordance with this process, to provide remuneration information for use by the Committee with respect to the CEO/Managing Director and his Executive team. Mercer was also engaged to provide remuneration data for non-executive roles. The information provided by Towers Watson and Mercer did not constitute remuneration recommendations as defined by the *Corporations Act 2001*.

REMUNERATION STRATEGY AND PRINCIPLES

The Company's remuneration strategy is designed to attract, retain, motivate and reward employees by providing fair and reasonable rewards for achieving high performance and creating sustained value for shareholders and is underpinned by four principles:

Competitive remuneration: enabling the Company to attract, retain, motivate and reward high-calibre employees and Non-Executive Directors	Equality of remuneration: ensuring that remuneration principles are applied fairly and consistently across the business
Linking incentives to Company performance: rewards are linked to delivery of the Company's financial and strategic goals, which deliver value for shareholders	Fostering a partnership between employees and shareholders: through employee ownership of Company shares

NON-EXECUTIVE DIRECTOR REMUNERATION

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 Non-Executive Directors. It consists of base fees, committee fees and superannuation within an aggregate fees maximum limit of $1.25 million as approved by shareholders at the Company's 2012 Annual General Meeting (previously $1.1 million). This increase provides the Board with capacity to appoint an additional Non-Executive Director, if it is determined appropriate to do so.

Consistent with external market movements Non-Executive Director base fees and committee fees were increased by 4% during the financial year. Total fees paid to the Non-Executive Directors during the financial year were $975,189, including superannuation but excluding other on-costs as set out in Table 1 on page 16. Despite the 4% increase to fees, the total fees paid to Non-Executive Directors in the financial year remained below the previous aggregate fees maximum limit of $1.1 million.

The remuneration of Non-Executive Directors is not incentive based and the Non-Executive Directors do not receive performance shares, rights or options over the Company's shares.

To ensure the interests of Non-Executive Directors are aligned with those of shareholders and in accordance with the Non-Executive Directors' Share Plan (Plan), 25% of each Non-Executive Director's post-tax fees are used to purchase Sigma shares on market every three months. Shares purchased under the Plan are subject to a holding lock during the non-disposal period, which ends on the earliest occurrence of the following:

- the first day of the financial year following the third anniversary of the purchase date;
- the Non-Executive Director ceases being a Director of the Company; or
- a change of control occurs in relation to the Company.

The table below shows the structure and level of Non-Executive Director fees for the current and preceding financial years as approved by the Board.

Role	Annual Fee 2012–13*	Annual Fee 2011–12*
Chairman	$275,600	$265,000
Non-Executive Director	$104,000	$100,000
Risk Management and Audit Committee – Chair	$58,240	$56,000
Remuneration and Nomination Committee – Chair	$35,360	$34,000
Risk Management and Audit Committee – Member	$29,120	$28,000
Remuneration and Nomination Committee – Member	$17,680	$17,000

*includes the 25% of Non-Executive Director fees used for share acquisition

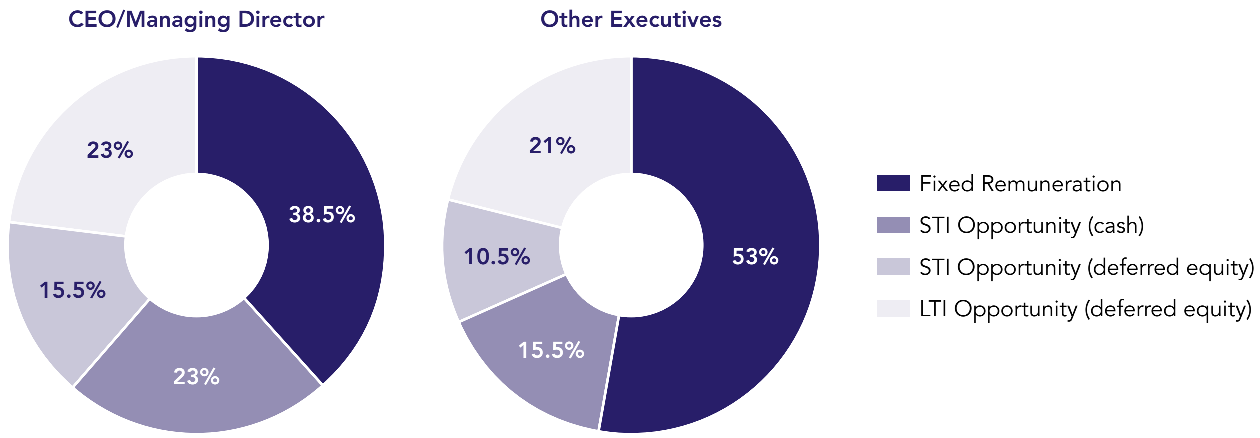
In January 2006, the Non-Executive Director's Retirement Benefit Plan (Plan) was discontinued. Benefits accrued under the Plan were calculated and, at the choice of the relevant Director, converted into Sigma shares or paid into the Director's superannuation fund. The table below sets out the remaining balance of accrued retirement benefits under the discontinued Plan that have not yet been converted into shares or paid into the Director's superannuation fund.

Non-Executive Director	Financial Year	Accumulated Retirement Benefits Balance at 01/02/12 $	Increase in Retirement Benefits $	Retirement Benefits Paid $	Accumulated Retirement Benefits Balance at 31/01/13 $
Ms L Nicholls	2012–13	177,407	7,044	–	184,451
	2011–12	168,965	8,442	–	177,407

EXECUTIVE REMUNERATION

The remuneration framework for the Executives is based on total reward methodology, which is designed to align executive remuneration with achievement of strategic and financial objectives and shareholder value creation. Total reward comprises fixed remuneration and at-risk remuneration, which is made up of short-term incentives (STI) and long-term incentives (LTI).

An appropriate reward mix is determined for each management level, with the portion of at-risk remuneration increasing with the level of responsibility, influence and criticality of the role. The maximum potential reward mix for the Executives is as follows:



Fixed remuneration

Fixed remuneration comprises base salary and company superannuation contributions. When determining the appropriate level of fixed remuneration consideration is given to the complexity of the role, experience and performance of the Executive, as well as internal and external market relativities. Market data sourced from external remuneration advisor is used to benchmark salary levels.

Fixed remuneration is reviewed annually with increases effective from 1 May. During the financial year, the Board approved a fixed remuneration increase of 4% for the CEO/Managing Director and an average increase of 5% for other Executives. There are no guaranteed fixed remuneration increases in any contracts of employment.

Short-term incentives

The STI Plan is designed to drive key performance measures aligned to Company strategy and Group financial objectives. The Executives are rewarded based on their achievement of the predefined key performance measures. These measures and their targets are established each year to ensure they are relevant and challenging. The plan strikes a balance between cash payment and deferred equity reward, ensuring:

- monetary reward for achieving current year's performance measures;
- close alignment between the interests of the Executives and shareholders through increased shareholding; and
- the retention of high-calibre Executives as unvested performance rights are typically forfeited in the case of resignation.

An overview of the STI Plan for the financial year is outlined below.

Key Design Aspect	Commentary
Eligibility	All Executives The Executive must be employed by the Company at the time of payment to qualify for any STI payment. Executives who joined the Company during the financial year may be entitled to a pro rata payment based on tenure.
Maximum STI reward value	A maximum STI reward value is specified for each Executive and is expressed as a percentage of fixed remuneration: – 100% of fixed remuneration for the CEO/Managing Director; and – 50% of fixed remuneration for other Executives.
Hurdle requirement[1]	**90% of budgeted Net Profit After Tax (NPAT) must be achieved as a hurdle requirement to trigger any STI payment opportunity.** NPAT was selected as an appropriate hurdle as it is – the best overall measure of Company performance – reflective of the generation of shareholder value – a measure readily recognised by and reported to shareholders. In recognition of the importance of workplace safety, key performance indicators (KPIs) relating to safety are excluded from this hurdle requirement and are payable upon achievement. Safety KPIs account for no more than 10% of an Executive's maximum STI reward value.
Performance measure	Subject to meeting the above hurdle requirement: 50% of STI is measured against Group financial KPIs[1]: – 25% is weighted against NPAT, which measures overall Company performance and the generation of shareholder value. As a minimum, budgeted NPAT must be achieved to result in any payment for this KPI. – 25% is weighted against Return On Invested Capital (ROIC) as improving ROIC performance is a key strategic goal for the Group. It also provides shareholders with a measure which captures both profitability and effectiveness of capital management. As a minimum, budgeted ROIC must be achieved to result in any payment for this KPI. 50% of STI is measured against individual KPIs such as: – implementation of specific strategic initiatives – specific financial targets such as business unit earnings before interest and taxes (EBIT), reductions in working capital, enhanced credit management of key customers – activities relating to the implementation of the retail Customer Value Proposition – achievement of safety targets, such as reductions in Medically Treated Injuries.
Performance period	2012–13 financial year (1 February 2012 – 31 January 2013)
Reward mechanism	60% of awarded STI is paid in cash upon Board approval of the audited year-end accounts. 40% of awarded STI is deferred and delivered in the form of performance rights to be converted into shares in two equal portions over one and two years, if the Executive remains employed with the Company. The number of performance rights granted is calculated based on the deferred STI value divided by the volume weighted average closing price of shares in the Company over the last five trading days of the financial year.
Restrictions	Unvested performance rights will typically be forfeited in the case of resignation. At the end of the deferral period, the Company must allocate to the Executive the equivalent number of shares by issuing, acquiring on market or transferring shares from an existing Trust.

1. Group financial calculations under the STI Plan exclude significant uncontrollable or one-off events as approved by the Board.

For the financial year ended 31 January 2013, the Board has assessed the NPAT hurdle requirement and the performance of each Executive against their predefined KPIs under the current year's STI Plan.

The Board, in its discretion, determined that the impact of the class action settlement on earnings was a one-off event not under the control of current management and should be excluded from the calculation of Group financial measures for the current year's STI Plan, including the NPAT hurdle requirement. This decision was made following careful consideration of the particular circumstances including the fact that the event pre-dates the employment of the Executives.

The table below shows the STI payments to each Executive for the current and preceding financial years, as approved by the Board:

Executive	Maximum STI Opportunity as % of Fixed Remuneration	2012–13 STI Payments			2011–12 STI Payments		
		STI Paid as % of Fixed Remuneration	STI Cash Payment $	STI Deferred Equity $[1]	STI Paid as % of Fixed Remuneration	STI Cash Payment $	STI Deferred Equity $[2]
Mr M Hooper	100%	71.25%	485,503	323,669	95%	622,440	414,960
Mr G Dunne	50%	36.88%	116,156	77,438	22.5%[3]	67,500[3]	45,000[3]
Mr J Sells	50%	36.88%	109,768	73,178	45%	127,575	85,050
Total			**711,427**	**474,285**		**817,515**	**545,010**

1. 50% of the awarded deferred equity will vest on 31 January 2014 and 31 January 2015 respectively.
2. 50% of the awarded deferred equity will vest on 31 January 2013 and 31 January 2014 respectively.
3. Pro rata payment for the 2011–12 financial year based on six months tenure.

Table 4 on page 20 sets out the performance rights granted to the Executives in relation to the deferred portion of their awarded STI.

Long-term incentives

The LTI Plan is designed to align Executive and shareholder interests by linking reward with key performance drivers that underpin long-term sustainable growth.

The LTI Plan can be delivered in a form of performance rights or loan-funded shares. The Board reviews and determines the most appropriate plan type each year, having considered the business strategy and key performance drivers for the financial year.

The LTI Plan is currently delivered via a Loan-Funded Share Plan to provide Executives with a greater incentive to drive share price growth. Under this LTI Plan, Executives have the option to purchase shares at a predetermined price if predefined vesting conditions (Absolute Total Shareholder Return and ROIC) are met three years from date of grant.

Meeting the two vesting conditions will not reward the Executives with full share value, only the opportunity to purchase shares that become available after vesting. The economic benefit of the LTI Plan will depend on share price growth and dividend payments since share allocation, as the Executives are required to pay an acquisition price equal to the share price at allocation less any post-tax value of dividends paid in order to gain share ownership of any vested shares.

An overview of the LTI Plan for the financial year is outlined below.

Key Design Aspect	Commentary
Eligibility	All Executives
Maximum LTI reward value	A maximum LTI reward value is specified for each Executive and is expressed as a percentage of fixed remuneration: – 60% of fixed remuneration for the CEO/Managing Director; and – 40% of fixed remuneration for other Executives. The actual number of shares granted is calculated using a Black–Scholes options pricing model, which takes into account factors including market volatility, dividend yield and share price. Shares can be issued, acquired on market or transferred from an existing Trust.
Loan	A five-year interest-free loan is provided to Executives to fund the acquisition cost of ordinary shares in the Company. The value of the loan is determined by the number of shares allocated multiplied by the market value of the shares on the date of grant. The loan-funded shares are subject to disposal restrictions and forfeiture conditions and are held in trust until vesting date. Executives have certain rights equal to all other ordinary shareholders, such as voting rights, access to dividends, capital distribution and bonus shares during the loan period. The post-tax value of dividends paid is applied to repay any outstanding loan. The loan must be settled at or before the end of the loan period. The loan is limited-recourse. At the expiration of the loan period, the amount to be repaid is the lower of: – the outstanding loan less any repayments, and – the market value of the vested shares. As a result, the Executive's liability will at all times be limited to the market value of the shares.
Performance period	Three years, commencing with the financial year of the grant date. The three-year performance period reflects the business cycle of the Company. As a wholesaler, strategic, operational and financial initiatives translate to a short to medium-term impact on the financial performance of the Company. The three-year period also reflects the competitive market practice in attracting, retaining and rewarding high-calibre Executives, as 73% of ASX200 companies had a vesting period of three years or less for their LTI Plans during the 2012 financial year.
Vesting date	Three years from date of grant
Vesting conditions for 2012 grant	50% of the loan-funded shares granted will vest subject to meeting the following vesting condition: – Total shareholder return (TSR) of 50% or higher during the performance period. Absolute 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 to shareholders, taking into account share price growth and dividend payments (including the value of franking credits). The remaining 50% of loan-funded shares granted will vest subject to meeting the following vesting condition: – average pre-tax ROIC of 14% during the performance period. ROIC was selected as an appropriate performance measure as it provides shareholders with a measure on capital management including an evaluation of multi-year investment decisions. ROIC calculations under the LTI Plan exclude significant uncontrollable or one-off events as approved by the Board.
Disposal restrictions	Executives may not deal with, transfer or dispose of shares until: – the end of the vesting period, and – the loan has been repaid or appropriate arrangements for repayment of the loan have been approved by the Company. Once the above conditions have been satisfied, any restrictions on the shares will lift and the Executive may instruct the Trustee to transfer or dispose of the shares.
Forfeiture conditions	In the case of resignation, unvested loan-funded shares will typically be forfeited and vested loan-funded shares will be retained by the Executive (subject to repayment of the loan balance). In certain circumstances (such as death or redundancy), the Board may exercise its discretion to allow pro rata vesting. In case of summary dismissal all unvested loan-funded shares and all vested loan-funded shares that are held in trust or subject to an outstanding loan balance will be forfeited.

Shareholder approval to issue shares to satisfy the CEO/Managing Director's 2012 LTI allocation was obtained at the Company's 2012 Annual General Meeting.

Table 5 on page 20 sets out the details of the 2012 loan-funded shares granted to the Executives.

2011 Long-Term Incentive Plan

The 2011 LTI Plan was also delivered in the form of loan-funded shares. The 2011 LTI Plan contained the same terms and conditions as described above with the exception of the vesting condition relating to ROIC. For the 2011 LTI Plan, 50% of the loan-funded shares granted will vest subject to the Company achieving an average pre-tax ROIC of 11% during the three-year performance period. For the remaining 50% the vesting condition relating to Absolute TSR for the 2011 LTI Plan remains the same as that of the 2012 plan.

Table 5 on page 20 sets out the details of the 2011 loan-funded shares granted to the Executives.

Other equity plans

Sign-on performance rights granted to CEO/Managing Director and Chief Financial Officer

Upon commencement, the CEO/Managing Director and Chief Financial Officer received a sign-on award in the form of performance rights to the value of $1 million and $250,000 respectively. During the 2011–12 financial year a 15 cent special dividend was paid to shareholders from the proceeds of the sale of the Pharmaceutical division. Following independent advice, a second grant of performance rights was made to both Executives to offset the reduction in the Company's share price following the payment of the special dividend. Shareholder approval for all sign-on performance rights awarded to the CEO/Managing Director was obtained at the Company's 2011 Annual General Meeting.

Provided the Executives remain employed by the Company, 100% of the performance rights will vest on 6 September 2013. Upon vesting, the Company must allocate the number of shares the Executive has the right to acquire under the terms of the offer by issuing, acquiring on market or transferring shares from an existing Trust.

Table 3 on page 20 sets out the details of sign-on performance rights granted to the CEO/Managing Director and Chief Financial Officer.

Equity restrictions

Unvested performance rights (sign-on award and deferred STI award) and unvested loan-funded shares (LTI Plan) are personal to the Executive 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 immediate forfeiture of any unvested performance rights and unvested loan-funded shares.

OTHER REMUNERATION DISCLOSURES

Service agreements

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, which summarises the policies and terms, including remuneration, relevant to the office of Non-Executive Director.

The employment conditions and remuneration of the Executives are formalised in individual contracts of employment. No fixed terms are specified within these employment contracts and the following termination provisions apply:

Executive	Term of Contract	Notice Period by Company	Notice Period by Employee
Mr M Hooper	No fixed duration	12 months	6 months
Mr G Dunne	No fixed duration	6 months	3 months
Mr J Sells	No fixed duration	12 months	3 months

The Company may terminate an employment contract without cause by providing written notice, or making a payment in lieu of the notice period based on the individual's fixed annual remuneration. Each employment contract provides for termination of employment without notice in circumstances sufficient to warrant summary termination.

Employee Share Plan

To align their interests with those of the shareholders, eligible employees at all levels of the organisation are encouraged to hold shares in the Company. During the financial year the Company offered all eligible employees (except Non-Executive Directors), the opportunity to acquire $2000 worth of shares in the Company on a 10-year interest-free loan. A total of 319 acceptances were received resulting in 1,345,759 shares being allocated. Of these shares 63,021 were transferred to participants from previously forfeited shares held in trust by Sigma Employee Share Administration Pty Ltd, while the remaining 1,282,738 shares were issued.

Loans to Directors and Executives

There were no loans to the Non-Executive Directors during the financial year. There were no loans to the Executives during the financial year, except as allowed under the Employee Share Plan and Loan-Funded Share Plan (LTI).

LINKING EXECUTIVE REMUNERATION AND PERFORMANCE

To evaluate Sigma's performance, benefits to shareholder wealth and remuneration for the Executives, the Board has considered a range of financial indices, including the following, with respect to the current and previous four financial years.

	Financial Year[1]				
12 months ended 31 January 2013	2012–13	2011–12	2010–11	2009–10	2008–09
Share price ($)	0.665	0.60	0.445	0.935	1.20
Dividends paid in the financial year (cps)	5.5	16.5[2]	–	3.0	7.0
TSR[3]	23.9%	87.8%			
Pre-tax ROIC[4]	13.5%[5]	12.4%			
EBIT ($m)	71.1[5]	69.2	(159.0)	(322.2)	190.3
NPAT ($m)	52.3[5]	49.2	(235.4)	(398.3)	80.1

1. Financial performance for 2011–12 and 2012–13 relates to continuing operations only. Financial performance for all other years relates to total operations, including the now discontinued Pharmaceutical division.
2. Dividends paid in the financial year include a special dividend of 15 cents per share.
3. TSR = (share price appreciation + dividends + value of franking credits)/share price at the start of the financial year.
4. Pre-tax ROIC = EBIT from continuing operations/(total shareholder funds + net debt).
5. Excludes the impact of the class action settlement to earnings as an uncontrollable and one-off event.

Company performance and STI outcomes

For the Executives to qualify for a payment under the STI Plan, there must be an acceptable level of Company profit and the achievement of their individual predefined performance measures.

Financial performance for the year was in line with our expectations. The NPAT[5] result of $52.3 million exceeded the 90% budget hurdle requirement for STI payment for the 2012–13 financial year. This result excluded the payment arising from the class action settlement as the Board determined this event to be a one-off event not under the control of current management. The class action settlement will not impact ongoing investment in the business to support Sigma's growth strategy. Nor is it expected to impact future dividend payments and the Share Buy-back Plan announced in September 2012 and future dividend payments. However, Sigma will keep this under review.

Combined with the achievement of individual performance measures, the total STIs awarded to the Executives including the deferred component for the financial year were $1,185,712, representing an average of 72.9% of their maximum STI opportunity as shown in the table below.

Executive	Role	Maximum STI Reward Opportunity	Awarded	Forfeited
Mr M Hooper	CEO/Managing Director	100%	71.25%	28.75%
Mr G Dunne	Chief Operating Officer	50%	36.88%	13.12%
Mr J Sells	Chief Financial Officer	50%	36.88%	13.12%

5. Excludes the impact of the class action settlement to earnings as an uncontrollable and one-off event.

Company performance and LTI outcomes

During the financial year no LTI Plans vested or lapsed (refer to Tables 3 and 5 on page 20).

The LTI Plan focuses on driving key performance outcomes that underpin sustainable growth and creating shareholder wealth in the longer term. This is achieved by motivating and rewarding the Executives to drive share price growth via improvements to TSR and ROIC.

The following graph depicts the improvements to the Company's share price since the introduction of the Loan-Funded Share Plan (LTI). Absolute share price growth during this period equates to 49% and coupled with fully franked dividend payments of 22 cents, this represents a strong return for shareholders.

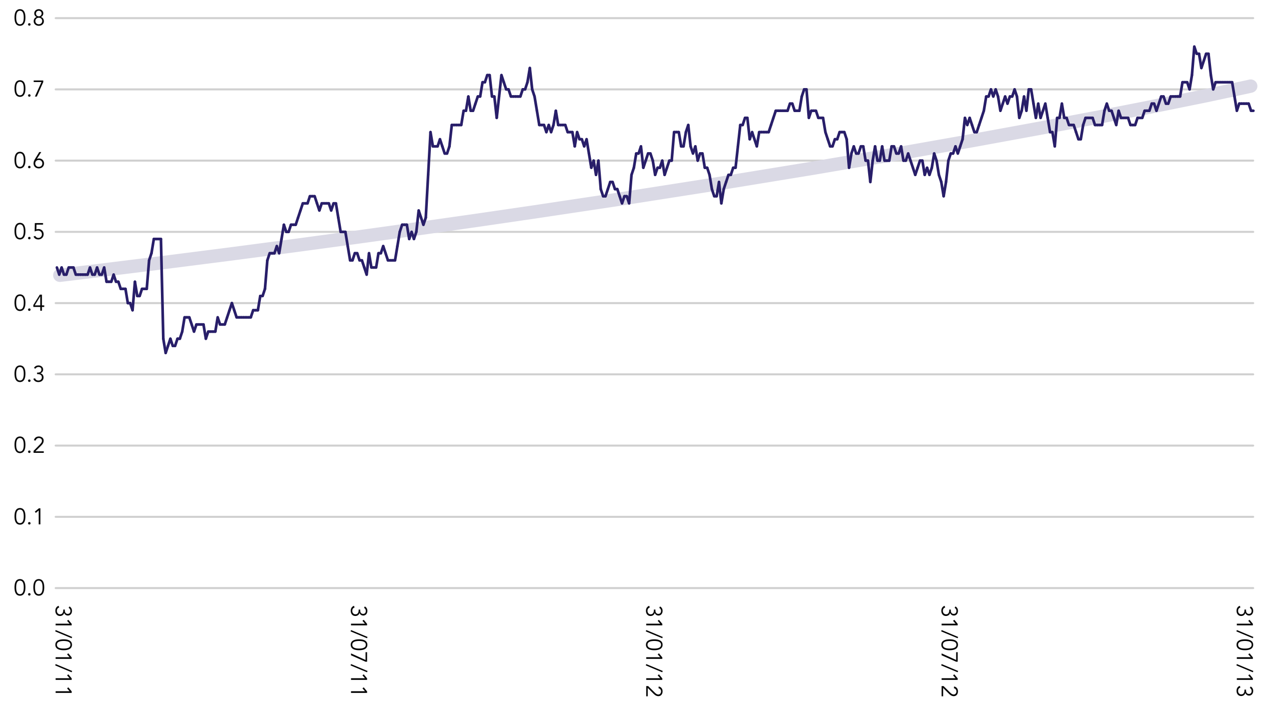


TABLE 1: STATUTORY REMUNERATION DISCLOSURE FOR KEY MANAGEMENT PERSONNEL OF THE COMPANY AND GROUP: FINANCIAL YEAR 2012–13

	Short-Term Benefits					Post-Employment Benefits							Value in Share-Based Plans		
	Salary and Base Fees[2]	Committee Fees	Cash Short-Term Incentives[3]	Sign-On Cash Payments	Non-Monetary Benefits[4]	Superannuation Benefits	Increase in Retirement Benefits[5]	Retirement Benefits Paid	Other Long-Term Benefits[1]	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Performance Rights[6]	Loan-Funded Shares[7]	Total Remuneration including Value in Share-Based Plans	Share-Based Payments as Proportion of Remuneration[8]
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	%
Non-Executive Directors															
Mr B Jamieson	287,195	–	–	–	5,332	18,072	–	–	–	–	310,599	–	–	310,599	0%
Mr D Bayes	103,000	63,860	–	–	5,332	20,666	–	–	–	–	192,858	–	–	192,858	0%
Mr R Gunston	103,000	42,100	–	–	5,332	15,277	–	–	–	–	165,709	–	–	165,709	0%
Mr D Manuel	103,000	17,510	–	–	5,332	14,461	–	–	–	–	140,303	–	–	140,303	0%
Ms L Nicholls AO	103,000	57,680	–	–	5,332	19,324	7,044	–	–	–	192,380	–	–	192,380	0%
Subtotal for Non-Executive Directors	**699,195**	**181,150**	**–**	**–**	**26,660**	**87,800**	**7,044**	**–**	**–**	**–**	**1,001,849**	**–**	**–**	**1,001,849**	**0%**
Non-Executives															
Mr M Hooper	1,048,383	–	485,503	–	5,332	16,181	–	–	5,756	–	1,561,155	756,532	473,811	2,791,498	44%
Mr G Dunne	508,317	–	116,156	–	5,332	16,181	–	–	1,680	–	647,666	42,735	126,641	817,042	21%
Mr J Sells	442,401	–	109,768	–	5,332	16,181	–	–	2,476	–	576,158	180,530	115,336	872,024	34%
Subtotal for Executives	**1,999,101**	**–**	**711,427**	**–**	**15,996**	**48,543**	**–**	**–**	**9,912**	**–**	**2,784,979**	**979,797**	**715,788**	**4,480,564**	**38%**
Total	2,698,296	181,150	711,427	–	42,656	136,343	7,044		9,912	–	3,786,828	979,797	715,788	5,482,413	31%

1. Includes amounts in respect to long service leave expense movement.
2. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Director's Share Plan detailed on page 8. For Executives, includes base salary and amounts in respect to annual leave expense movement.
3. Represents cash payments in respect to the 2012/13 STI plan as described on pages 9–11.
4. Includes amounts paid for Directors' and officers' insurance.
5. Interest on accrued retirement benefit as described on page 9.
6. Represents amounts expensed in relation to the sign on performance rights granted to the CEO/Managing Director and Chief Financial Officer (refer to pages 12–13) and amounts expensed in relation to the performance rights granted to executives for the deferred equity portion of the 2011/12 and 2012/13 STI Plan (refer to pages 9–11).
7. The value of the loan funded shares with the TSR vesting condition is calculated using the European barrier call pricing model. The value of the loan funded shares with the ROIC vesting condition is calculated using the Black-Scholes option pricing model. The value of loan funded shares under the above methods is allocated evenly over the vesting period.
8. Includes amounts expensed in relation to sign on performance rights, STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Director's Share Plan.

TABLE 2: STATUTORY REMUNERATION DISCLOSURE FOR KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES OF THE COMPANY AND GROUP: FINANCIAL YEAR 2011–12

	Short-Term Benefits					Post-Employment Benefits						Value in Share-Based Plans			
	Salary and Base Fees[2]	Committee Fees	Cash Short-Term Incentives[3]	Sign-On Cash Payments	Non-Monetary Benefits[4]	Superannuation Benefits	Increase in Retirement Benefits[5]	Retirement Benefits Paid	Other Long-Term Benefits[1]	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Performance Rights[6]	Loan-Funded Shares[7]	Total Remuneration including Value in Share-Based Plans	Share-Based Payments as Proportion of Remuneration[8]
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	%
Non-Executive Directors															
Mr B Jamieson	277,748	–	–	–	5,835	15,535	–	–	–	–	299,118	–	–	299,118	0%
Mr D Bayes	104,167	50,542	–	–	5,835	12,055	–	–	–	–	172,599	–	–	172,599	0%
Mr R Gunston	104,167	21,125	–	–	5,835	9,943	–	–	–	–	141,070	–	–	141,070	0%
Mr D Manuel	104,167	12,417	–	–	5,835	9,084	–	–	–	–	131,503	–	–	131,503	0%
Ms L Nicholls AO	104,167	51,833	–	–	5,835	12,155	8,442	–	–	–	182,432	–	–	182,432	0%
Former Non-Executive Directors															
Mr W Scott[9]	39,205	2,136	–	–	1,945	3,241	–	–	–	–	46,527	–	–	46,527	0%
Subtotal Non-Executive Directors	**733,621**	**138,053**	**–**	**–**	**31,120**	**62,013**	**8,442**	**–**	**–**	**–**	**973,249**	**–**	**–**	**973,249**	**0%**
Managing Director															
Mr M Hooper	1,116,776	–	622,440	–	5,835	15,535	–	–	3,187	–	1,763,773	776,616	129,012	2,669,401	34%
Other Key Management Personnel															
Mr G Dunne[10]	268,498	–	67,500	–	2,918	8,191	–	–	169	–	347,276	18,750	42,060	408,086	15%
Mr J Sells	479,539	–	127,575	–	5,835	15,535	–	–	1,353	–	629,837	151,644	37,215	818,696	23%
Subtotal for Key Management Personnel	**2,598,434**	**138,053**	**817,515**	**–**	**45,708**	**101,274**	**8,442**	**–**	**4,709**	**–**	**3,714,135**	**947,010**	**208,287**	**4,869,432**	**24%**
Other Executives															
Ms S Morgan	208,756	–	60,266	–	11,670	19,757	–	–	6,396	–	306,845	16,740	19,179	342,764	10%
Ms J Pearson	182,225	–	64,107	–	27,646	15,535	–	–	668	–	290,181	17,807	17,412	325,400	11%
Subtotal Other Executives	**390,981**	**–**	**124,373**	**–**	**39,316**	**35,292**	**–**	**–**	**7,064**	**–**	**597,026**	**34,547**	**36,591**	**668,164**	**11%**
Total	**2,989,415**	**138,053**	**941,888**	**–**	**85,024**	**136,566**	**8,442**	**–**	**11,773**	**–**	**4,311,161**	**981,557**	**244,878**	**5,537,596**	**22%**

1. Includes amounts in respect to long service leave expense movement.
2. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Director's Share Plan detailed on page 8. For Executives, includes base salary and amounts in respect to annual leave expense movement.
3. Represents cash payments in respect to the 2011/12 STI.
4. For Non-Executive Directors, includes amounts paid for Directors' and officers' insurance. For executives, includes, where applicable, car allowances, non-cash benefits, fringe benefits tax paid on non-cash benefits and amounts paid for Directors' and officers' cover.
5. Interest on accrued retirement benefit.
6. Represents amounts expensed in relation to the sign on performance rights granted to the CEO/Managing Director ($138,889 relating to amount expensed in 2010/11 and $464,827 relating to amounts expensed in 2011/12) and Chief Financial Officer ($116,207 relating to amounts expensed in 2011/12) and amounts expensed in relation to the performance rights granted to executives for the deferred equity portion of the 2011/12 STI Plan.
7. The value of the loan funded shares with the TSR vesting condition is calculated using the European barrier call pricing model. The value of the loan funded shares with the ROIC vesting condition is calculated using the Black-Scholes option pricing model. The value of loan funded shares under the above methods is allocated evenly over the vesting period.
8. Includes amounts expensed in relation to sign on performance rights, STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Director's Share Plan.
9. Retired effective 8 June 2011.
10. Commenced 25 July 2011.

TABLE 3: SIGN-ON PERFORMANCE RIGHTS GRANTED TO THE CEO/MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

Executive	Grant Date	Number of Share Rights Issued	Exercise Price/Amount Payable	Fair Value per Share Right at Grant Date	Exercise Date[1]	Share Right Balance at 01/02/12	Total Value of Share Rights at Grant Date	Share Right Balance at 31/01/13
Mr M Hooper	6/09/2010	2,840,909	–	$0.3520	6/09/2013	2,840,909	$1,000,000	2,840,909
	29/04/2011	1,210,328	–	$0.3380	6/09/2013	1,210,328	$409,091	1,210,328
Mr J Sells	6/09/2010	710,227	–	$0.3520	6/09/2013	710,227	$250,000	710,227
	29/04/2011	302,581	–	$0.3380	6/09/2013	302,581	$102,272	302,581

1. Performance rights will only vest after satisfying the performance conditions outlined on page 13.

TABLE 4: PERFORMANCE RIGHTS GRANTED TO CEO/MANAGING DIRECTOR AND KEY EXECUTIVE PERSONNEL IN RELATION TO THE DEFERRED PORTION OF THE STI PLAN

Executive	Grant Date	Fair Value Right at Grant Date[1] $	Exercise Date[2]	Number of Performance Rights Granted	Fair Value of Performance Rights at Grant Date $	Balance at 01/02/12	Vested During Financial Year	Balance at 31/01/13
Mr M Hooper	1/02/2012	0.5350	31/01/2013	345,627	184,910	345,627	345,627	–
	1/02/2012	0.4976	31/01/2014	345,627	171,984	345,627	–	345,627
	1/02/2013	0.6233	31/01/2014	240,039	149,616	–	–	–
	1/02/2013	0.5799	31/01/2015	240,039	139,199	–	–	–
Mr G Dunne	1/02/2012	0.5350	31/01/2013	37,481	20,052	37,481	37,481	–
	1/02/2012	0.4976	31/01/2014	37,481	18,651	37,481	–	37,481
	1/02/2013	0.6233	31/01/2014	57,429	35,795	–	–	–
	1/02/2013	0.5799	31/01/2015	57,429	33,303	–	–	–
Mr J Sells	1/02/2012	0.5350	31/01/2013	70,839	37,899	70,839	70,839	–
	1/02/2012	0.4976	31/01/2014	70,839	35,249	70,839	–	70,839
	1/02/2013	0.6233	31/01/2014	54,271	33,827	–	–	–
	1/02/2013	0.5799	31/01/2015	54,270	31,471	–	–	–

1. For accounting purposes, the fair value of performance rights is calculated using the Black–Scholes option pricing model.
2. Performance rights will only vest if the Executive remains employed with the Company at the exercise date.

TABLE 5: LOAN FUNDED SHARES GRANTED TO THE CEO/MANAGING DIRECTOR AND KEY EXECUTIVE PERSONNEL

Executive	Grant Date	Number of Loan Funded Shares Granted	Share Price at Grant Date $	Fair Value per Share at Grant Date[1] $	Exercise Date[2]	Loan Value at Grant Date $	Loan Balance at 01/02/12 $	Loan Repayments $	Forfeited Loan Funded Shares	Loan Balance at 31/01/13 $
Mr M Hooper	28/06/2011	5,372,395	0.5050	0.1235	28/06/2014	2,713,059	2,651,469	225,832	–	2,425,637
	1/02/2012	3,784,034	0.5400	0.2003	31/01/2015	2,043,378	2,043,378	57,842	–	1,985,536
Mr G Dunne	4/07/2011	1,639,925	0.5400	0.1319	4/07/2014	885,560	866,759	68,935	–	797,824
	1/02/2012	1,155,078	0.5750	0.1417	31/01/2015	664,170	664,170	48,555	–	615,615
Mr J Sells	28/06/2011	1,549,729	0.5050	0.1235	28/06/2014	782,613	764,847	65,144	–	699,703
	1/02/2012	1,091,548	0.5750	0.1417	31/01/2015	627,640	627,640	45,884	–	581,756

1. For accounting purposes, the fair value of the loan-funded shares with the TSR vesting condition is calculated using the European barrier call pricing model. The value of the loan-funded shares with the ROIC vesting condition is calculated using the Black–Scholes option pricing model. The value of loan-funded shares under the above methods is allocated evenly over the vesting period.
2. Loan-funded shares will only vest after satisfying the vesting conditions (outlined on pages 12–13) and will expire at the end of the five-year loan period.

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

The Board of Directors
Sigma Pharmaceuticals Limited
3 Myer Place
Rowville VIC 3178

13 March 2013

Dear Board Members

Sigma Pharmaceuticals Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Sigma Pharmaceuticals Limited.

As lead audit partner for the audit of the financial statements of Sigma Pharmaceuticals Limited for the year ended 31 January 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountants

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2013

	Notes	2013 $'000	2012 $'000
Sales revenue from continuing operations	4	2,942,391	2,853,867
Cost of goods sold		(2,733,982)	(2,651,188)
Gross profit		208,409	202,679
Other revenue and income	4	38,835	36,618
Warehousing and delivery expenses		(101,922)	(91,639)
Sales and marketing expenses		(33,476)	(46,376)
Administration expenses		(33,804)	(27,059)
Net Litigation settlement expense	26	(48,004)	–
Depreciation and amortisation	5	(5,665)	(5,509)
Plant rationalisation and restructuring	5	(1,276)	1,570
Profit before financing costs		23,097	70,284
Financial income	6	4,170	7,142
Financial expenses	6	(2,339)	(5,517)
Net financing income	6	1,831	1,625
Profit before income tax		24,928	71,909
Income tax expense	7	(6,242)	(21,647)
Profit from continuing operations		18,686	50,262
Loss from discontinued operations	8	–	(1,090)
Profit for the year		18,686	49,172
Other comprehensive income /(loss)			
Changes in the fair value of cash flow hedges	20	(933)	(931)
Exchange differences on translation of foreign operations	20	85	2
Income tax relating to components of other comprehensive income	20	254	279
Other comprehensive income/(loss) for the year, net of tax		(594)	(650)
Total comprehensive income for the year		18,092	48,522

	Notes	Cents	Cents
Earnings per share (EPS) for profit attributable to the ordinary equity holders of the company:			
Basic EPS	10	1.6	4.2
Diluted EPS	10	1.6	4.2
Earnings per share (EPS) from continuing operations attributable to the ordinary equity holders of the company:			
Basic EPS	10	1.6	4.3
Diluted EPS	10	1.6	4.3

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 January 2013

	Notes	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	31 (a)	112,692	148,601
Trade and other receivables	11	566,219	576,056
Income tax receivable		13,746	–
Inventories	12	255,010	214,217
Prepayments		3,721	2,687
Total current assets		951,388	941,561
Non-current assets			
Trade and other receivables	11	9,903	37,692
Property, plant and equipment	13	73,556	68,602
Intangible assets	14	14,237	14,597
Net deferred tax assets	15	7,087	12,404
Total non-current assets		104,783	133,295
Total assets		1,056,171	1,074,856
Current liabilities			
Trade and other payables	16	403,580	340,669
Borrowings	17	30,000	35,000
Income tax liabilities		–	6,192
Provisions	18	10,177	8,997
Deferred income		141	503
Total current liabilities		443,898	391,361
Non-current liabilities			
Provisions	18	1,245	888
Deferred income		222	80
Total non-current liabilities		1,467	968
Total liabilities		445,365	392,329
Net assets		610,806	682,527
Equity			
Contributed equity	19	1,337,226	1,365,258
Reserves	20	14,511	16,035
Accumulated losses		(740,931)	(698,766)
Total equity		610,806	682,527

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2013

	Notes	Contributed equity		Reserves $'000	Retained Earnings $'000	Total Equity $'000
		Issued capital $'000	Issued capital held by equity compensation plan $'000			
Balance at 1 February 2011		1,390,492	(22,845)	13,626	(548,354)	832,919
Profit for the year		–	–	–	49,172	49,172
Other comprehensive income	20	–	–	(650)	–	(650)
Total comprehensive income for the year		**–**	**–**	**(650)**	**49,172**	**48,522**
Transactions with owners in their capacity as owners:						
Movements in:						
– Employee shares exercised	19	–	1,198	–	–	1,198
– Share-based remunerations plans	20	–	–	(2,203)	–	(2,203)
– Contributed equity	19	(7,988)	4,401	–	–	(3,587)
Dividends paid	9/20	–	–	2,539	(194,473)	(191,934)
Transfer dividend component of Sigma Employee Share plan from retained earnings	20	–	–	5,111	(5,111)	–
Dividends applied to equity compensation plan	20	–	–	(2,388)	–	(2,388)
		(7,988)	5,599	3,059	(199,584)	(198,914)
Balance at 31 January 2012		**1,382,504**	**(17,246)**	**16,035**	**(698,766)**	**682,527**
Profit for the year		–	–	–	18,686	18,686
Other comprehensive income	20	–	–	(594)	–	(594)
Total comprehensive income for the year		**–**	**–**	**(594)**	**18,686**	**18,092**
Transactions with owners in their capacity as owners:						
Movements in:						
– Employee shares exercised	19	–	448	–	–	448
– Share-based remunerations plans	20	–	–	2,411	–	2,411
– Contributed equity	19	1,895	(1,895)	–	–	–
Share buy back	19	(15,925)	(12,555)	–	–	(28,480)
Dividends paid	9/20	–	–	1,154	(65,069)	(63,915)
Transfer amount from reserves to retained earnings	20			(4,218)	4,218	–
Dividends applied to equity compensation plan	20	–	–	(277)	–	(277)
		(14,030)	(14,002)	(930)	(60,851)	(89,813)
Balance at 31 January 2013		**1,368,474**	**(31,248)**	**14,511**	**(740,931)**	**610,806**

Note: All items in the statement of changes in equity are net of tax.

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 January 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		**3,301,559**	3,208,037
Payments to suppliers and employees		**(3,169,046)**	(3,046,546)
Net payment for litigation settlement	26	**(48,004)**	–
Interest received		**4,170**	7,142
Interest paid		**(2,447)**	(6,053)
Income taxes paid		**(20,606)**	(16,809)
Net cash inflow from operating activities	31 (b)	**65,626**	145,771
Cash flows from investing activities			
Payments for property, plant and equipment	13	**(10,200)**	(7,624)
Disposal of discontinued operations, net of cash disposed of	8	**–**	(37,000)
Proceeds from sale of property, plant and equipment		**23**	295
Net cash (outflow)/ inflow from investing activities		**(10,177)**	(44,329)
Cash flows from financing activities			
Net repayment of borrowings		**(5,000)**	(322,969)
Payments for shares bought back		**(15,492)**	–
Purchase of Sigma shares for employees		**(11,640)**	–
Purchase of Sigma shares for Sigma Employee Share Plan	19(b)	**–**	(3,587)
Proceeds from redemption of shares under Sigma Employee Share Plan	19(c)	**448**	1,198
Receipts from Gateway and other loans receivable		**4,239**	7,549
Dividends paid	9	**(63,915)**	(191,934)
Net cash outflow from financing activities		**(91,360)**	(509,743)
Net (decrease)/increase in cash and cash equivalents		**(35,911)**	(408,301)
Cash and cash equivalents held at the beginning of the financial period		**148,601**	556,904
Effects of exchange rate changes on cash and cash equivalents		**2**	(2)
Cash and cash equivalents at the end of the financial period	31 (a)	**112,692**	148,601

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 January 2013

CONTENTS

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 13 March 2013.

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"). For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

(B) 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, Interpretations and the Corporations Act 2001.

Compliance with IFRS

The consolidated financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(C) 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 Group's 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 (CO 05/641 and CO 06/51) and in accordance with that Class Order, amounts in this Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(D) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sigma Pharmaceuticals Limited, being the parent entity as at 31 January 2013 and the results of all subsidiaries for the year then ended. Sigma Pharmaceuticals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

1. BASIS OF FINANCIAL REPORT PREPARATION (CONTINUED)

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 these unvested shares at cost are eliminated on consolidation within equity as shares held by the equity compensation plan.

The activities of the share plan are effectively being conducted on behalf of the Company according to specific business needs and in essence the Company 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.

(E) 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.

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 management's knowledge inventories have been correctly and fairly recorded as at 31 January 2013.

Carrying value of receivables

The consolidated entity assesses whether trade receivables are appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific customers and to the best of management's knowledge impairment of receivables have been correctly and fairly recorded as at 31 January 2013.

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

Sale of goods

Revenue from the sale of goods (net of returns, discounts and allowances) is recognised in the profit and loss 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.

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.

Community Service Obligation (CSO)

A Community Service Obligation is an arrangement whereby the government provides a pool of funding which is available to qualifying wholesalers to provide services that would not otherwise be provided by that organisation in the pursuit of its other objectives. In the Group's case this requirement is around minimum delivery obligations Australia wide. The Government provides income to the Group 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.

Other revenue

Membership income

The Amcal and Guardian banner stores pay an annual membership fee to the Group. This membership fee entitles the stores to access certain Group's 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 the Group to customers for specific deliveries of dangerous goods. This risk fee covers the incremental cost incurred by the Group 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.
Sub-lease revenue is recognised on a straight line basis.

(B) Earnings per share

Basic earnings per share are 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 are 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 profit and loss, 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, or production of, a qualifying asset are capitalised as part of the cost of that asset using the weighted average cost of borrowings. Finance costs include:

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

The Group has a debtors' securitisation program called Waratah. The terms of this facility are such that the risk of the defaulting debtors lies with the Group and the equivalent external debt is therefore recorded on balance sheet. The costs associated with this program are recognised as finance costs in the Income statement.

(E) Goods and services tax

Revenues, expenses and assets are recognised net of the Goods and Service tax (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 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 Statement of Financial Position. 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 is 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) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(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.

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 profit and loss 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 profit and loss.

Calculation of recoverable amount

The recoverable amount of 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 a 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

The majority of Trade debtors are settled within 40–120 days of the invoice date and are carried at amounts due less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

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 profit and loss. 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 in the profit and loss.

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 is determined on the basis of weighted average cost.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. 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. A subsidiary of the Group is a partner in a 50:50 joint venture with Plus Points Pty Ltd to manage and administer customer loyalty programs. In the year 2010–11, management reassessed the carrying value of the joint venture and based on the fact that joint venture has historically reported losses and the future cash flow forecasts, the investment was fully written off.

(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	2 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 profit and loss 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.

Brand names

Brand names have a finite useful life and are carried at cost less accumulated amortisation. They are amortised over their expected useful lives, which vary from 25 to 60 years.

(O) 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 profit and loss.

Operating leases are not capitalised. Operating lease payments are charged to the profit and loss as incurred on a straight-line basis.

(P) 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 30–60 days of the invoice date.

(Q) 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 stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the loans or borrowings on an effective interest rate basis.

(R) 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.

Provision for 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 prorata 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 ongoing activities.

Lease make good

A provision for Lease make good is recognised in relation to the properties held under operating lease. The Group recognises the provision for property leases which contain specific clause to restore the property to a specific condition and the amount is based on the best estimate made by management.

(S) 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 profit and loss 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 the 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 in the consolidated statement of comprehensive income as they are made.

(T) Share-based payment transactions

Share-based compensation benefits are provided to employees via the Sigma Employee Share Plan, Executive short term and long term Incentive Plans and the Performance Rights Plan.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the options/performance rights reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

Sigma employee and senior executive share plans

Any amount of unvested shares held by the ESP are owned by the consolidated entity until they vest and these unvested shares at cost are eliminated on consolidation 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. A transfer is made from retained earnings to a separate reserve on consolidation for the amount of the dividends applied to repay the loan balance as this represents a part of the exercise price 'paid' by the employee.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(U) 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, at 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 financial year end date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the profit and loss.

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. Due to the sale of the Pharmaceuticals division to Aspen on 31 January 2011, several entities exited the Sigma Pharmaceuticals Limited tax-consolidated Group at that time.

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.

(V) 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.

(W) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair values at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of item being hedged. The Group designates certain derivatives as:

– hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
– hedges of particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
– hedges of a net investment in a foreign operation (net investment hedges).

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 profit and loss.

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.

(X) Segments

AASB 8 Operating Segments requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Management has determined operating segments based on the structure of reports reviewed by the CEO and Managing Director, Chief Operating Officer and Chief Financial Officer (who collectively form the Chief Operating Decision Makers (CODM) of the Group).

The Chief Operating Decision Makers consider the business from both a product and geographic perspective and have identified that the Group operates only the Healthcare segment. The Healthcare segment represents the traditional full line pharmacy wholesale business, retail and private label product ranges (See Note 3).

(Y) 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.

(Z) Customer loyalty program

The Group operates a loyalty program 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.

(AA) Deferred income

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

(AB) Parent entity financial information

The financial information for the parent entity, Sigma Pharmaceuticals Limited (the Company), disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of the Company. Dividends received from associates are recognised in the Parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Financial guarantees

Where the Parent entity has provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(AC) New accounting standards and interpretations

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

– AASB 1054 *Australian Additional Disclosures* and AASB 2011-1 *'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project adopted in IFRSs* (effective for annual reporting periods beginning on or after 1 July 2011)

  AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).

  AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.

– AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

  In November 2010, the AASB made amendments to AASB 7 Financial Instruments: Disclosures which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

(AC) New accounting standards and interpretations (CONTINUED)

- AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective for annual reporting periods beginning on or after 1 January 2012)

  Amends AASB 112 Income Taxes to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in AASB 140 'Investment Property' will, normally, be through sale. As a result of the amendments, Interpretation 112 'Income Taxes Recovery of Revalued Non-Depreciable Assets' would no longer apply to investment properties carried at fair value. The amendments also incorporate into AASB 112 the remaining guidance previously contained in Interpretation 112, which is accordingly withdrawn.

  They did not have any significant impact on the Group's disclosures.

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 year end financial report:

- AASB 9 *Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)

  AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial instruments: Recognition and Measurement and have not been changed. The group has not decided when to adopt AASB9.

- AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)

  On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

  In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

  AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

  AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The group is still assessing the impact of these amendments.

  AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but may impact the type of information disclosed in relation to the group's investments.

  Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a partial disposal concept. The group is still assessing the impact of these amendments.

  The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 31 January 2014.

- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

  AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 January 2014.

- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

  In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 February 2013.

- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)

  In July 2011, the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

- AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

  Key amendments relate to change in accounting for defined benefit plans and employee benefit. The group is still assessing the impact of these amendments.

- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle* (effective 1 January 2013)

  Amends a number of pronouncements as a result of the 2009–2011 annual improvements cycle.

  Key amendments include:

  - AASB 1 – repeated application of AASB 1
  - AASB 101 – clarification of the requirements for comparative information
  - AASB 116 – classification of servicing equipment
  - AASB 132 – tax effect of the distribution to holder of equity instruments
  - AASB 134 – interim reports and segment information for total assets and liabilities

The Group is still assessing the impact of these amendments and intends to adopt the new pronouncements from 1 February 2013.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. SEGMENT INFORMATION

Information on segments

AASB 8 Operating Segments requires a management approach under which segment information is presented on the same basis as that used for internal reporting provided to the Chief Operating Decision Makers (CODM) of the Group. The CODM have been identified as the executive team consisting of our Chief Executive Officer (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

For the year ended 31 January 2013 management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, that the Group operates only the Healthcare segment.

The Healthcare segment represents the traditional full line pharmacy wholesale business, retail and private label product ranges.

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

One customer group contributes revenues which form greater than 25% of the Group revenues. This customer has a long standing relationship with Sigma and a service contract is in place until October 2015. Sales revenue for the period to 31 January 2013 was $873.7 million (2012: $765.8 million).

4. REVENUE AND OTHER INCOME

	2013 $'000	2012 $'000
Sales revenue	2,942,391	2,853,867
Other revenue		
Commissions and fees	8,003	8,146
Membership revenue	11,169	11,380
Marketing services and promotional revenue	14,447	12,986
Rentals and other trading revenue	5,209	4,294
Total other revenue	38,828	36,806
Other income		
Profit/(Loss) on sale of property, plant and equipment	7	(188)
Total other revenue and other income	38,835	36,618

5. EXPENSES

	2013 $'000	2012 $'000
Expenses before interest and income tax:		
Amortisation		
Brand names	435	431
Development costs	–	4
Total amortisation	435	435
Depreciation		
Buildings	629	879
Plant and equipment	4,601	4,195
Total depreciation	5,230	5,074
Rationalisation and restructuring		
Amounts included in rationalisation and restructuring are detailed below:		
Redundancy expense/(provision reversal)	1,276	(1,570)
Total rationalisation and restructuring	1,276	(1,570)
Write down of inventories to net realisable value	4,038	7,651
Impairment bad and doubtful debts – trade debtors	(358)	12,496
Employee benefits expense	76,197	66,407
Defined contribution plans	5,707	5,334
Employee share-based payments expense	2,411	681
Directors' retirement provision	7	8
Rental expenses on operating leases	7,656	8,125

6. NET FINANCING INCOME

	2013 $'000	2012 $'000
Financial income		
Interest revenue	4,170	7,142
Total financial income	4,170	7,142
Financial expenses		
Interest expense – Sigma rewards	–	(575)
Interest expense	(2,339)	(4,942)
Total financial expenses	(2,339)	(5,517)
Net financing income	1,831	1,625

Refer Note 2 (d) for further information on Sigma's net financing costs.

7. INCOME TAX EXPENSE

	2013 $'000	2012 $'000
Profit before income tax, excluding gain on sale of discontinued operations	24,928	71,909
Prima facie income tax expense calculated at 30%	7,478	21,573
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other items	1,284	228
Effect of previously recognised deferred tax no longer required	(2,885)	–
Amounts (over)/under provided in prior years	365	(154)
Income tax expense	6,242	21,647
Income tax expense comprises		
Current expense	280	24,660
Deferred benefit	5,597	(2,859)
Adjustments for current income tax of prior periods	365	(154)
Income tax expense excluding tax on sale of discontinued operations	6,242	21,647
Income tax expense from continuing operations	6,242	21,647
Income tax expense from discontinuing operations (excluding gain on sale) (Note 8)	–	–
Total income tax expense	6,242	21,647

8. DISCONTINUED OPERATIONS

The sale of the Group's Pharmaceutical division to Aspen Pharmacare Holdings Limited group of companies (Aspen) was completed on 31 January 2011 and effective control over the operations of the Pharmaceutical division was transferred to Aspen on the same date.

The $900.0 million sale price in the 2011 financial year was adjusted for a provisional working capital adjustment and selling costs. During the prior year the working capital adjustment was finalised and agreed with Aspen, with a payment of $37.0 million. A provision of $39.0 million was included in the accounting for the sale of the Pharmaceutical division in the financial statements for the year ended 31 January 2011. The lower final figure resulted in a $2.0 million gain recorded as profit from discontinued operations in the prior year. This was offset by a $3.1 million tax adjustment resulting from the reversal of previous tax deductions claimed in prior tax years associated with acquisitions of the Pharmaceutical division.

	Notes	2013 $'000	2012 $'000
Results from operating activities, net of income tax		–	–
Loss on sale of discontinued operations		–	(1,090)
Income tax on gain on sale of discontinued operations		–	–
Loss from discontinued operations, net of income tax		–	(1,090)

	Cents	Cents
Basic EPS	–	(0.1)
Diluted EPS	–	(0.1)

The loss from discontinued operations of $1.1 million for the 2012 financial year is attributable entirely to the owners of the Group. The profit from continuing operations of $18.7 million, (2012 – $50.3 million) is also attributable entirely to the owners of the Group.

	2013 $'000	2012 $'000
Cash flows from (used in) discontinued operations		
Net cash from operating activities	–	–
Net cash from/(used) in investing activities	–	(37,000)
Net cash used in financing activities	–	–
Net cash from discontinued operations	–	(37,000)

9. DIVIDENDS

	2013 $'000	2012 $'000
Dividends recognised by the parent entity	65,069	194,473
Less: dividends paid on shares issued under the employee share plan	(1,154)	(2,539)
Dividends paid by the Group	63,915	191,934

	Cents per Share	Amount $'000	Date of payment	Tax rate for franking credit %	Percentage Franked %
2013					
Special and Final dividend for the year ended 31 January 2012 – Ordinary shares paid in cash	3.5	41,343	27 April 2012	30	100
Interim dividend for the year ended 31 January 2013 – Ordinary shares paid in cash	2.0	23,726	26 October 2012	30	100
Total dividends recognised by the parent entity		65,069			
Less: dividends paid on the shares under the employee share plan		(1,154)			
Total dividends paid by the Group		63,915			
2012					
Special dividend for the year ended 31 January 2011 Ordinary shares paid in cash	15.0	176,794	11 May 2011	30	100
Interim dividend for the year ended 31 January 2012 Ordinary shares paid in cash	1.5	17,679	30 November 2011	30	100
Total dividends recognised by the parent entity		194,473			
Less: dividends paid on the shares under the employee share plan		(2,539)			
Total dividends paid by the Group		191,934			

	2013 $'000	2012 $'000
Dividend franking account		
Amount of franking credits available for the subsequent year	17,829	24,277

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.

Subsequent Events

Since the end of the financial year a fully franked final dividend of 2.0 cents has been declared by the Directors (see Note 35).

10. EARNINGS PER SHARE

	2013 Cents	2012 Cents
(a) Basic earnings per share		
From continuing operations	1.6	4.3
From discontinued operations	–	(0.1)
Total basic earnings per share	1.6	4.2
(b) Diluted earnings per share		
From continuing operations	1.6	4.3
From discontinued operations	–	(0.1)
Total diluted earnings per share	1.6	4.2

	2013 $'000	2012 $'000
(c) Profit/(loss) used in the calculation of basic and diluted EPS		
Net profit/(loss) used in calculating basic and diluted EPS		
From continuing operations	18,686	50,262
From discontinued operations	–	(1,090)
Profit/(loss) used to calculate basic and diluted EPS	18,686	49,172

	2013 No. '000s	2012 No. '000s
(d) Weighted average number of shares used in the calculation of basic and diluted earnings per share		
Shares on issue as at 31 January	1,180,326	1,178,627
Add: Effect of shares issued	–	–
Less: Effect of shares held under the equity compensation plan	(28,409)	(19,150)
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,151,917	1,159,477
Add: Effect of potential conversion to ordinary shares under executive rights/option schemes	28,002	3,488
Add: Effect of shares held under Sigma Employee Share Plan	3,868	19,150
Weighted average number of ordinary shares used in calculation of diluted earnings per share	1,183,787	1,182,115

Performance Rights and Options

Full details of share rights and options are included in Note 29. The rights and options are considered dilutive and are included in the calculation of diluted earnings per share.

11. RECEIVABLES

	2013 $'000	2012 $'000
Current		
Trade debtors (a)	552,367	592,422
Provision for impairment of receivables (a)	(3,740)	(32,985)
	548,627	559,437
Other debtors	17,499	16,273
Other loan receivables (b)	93	346
Total current receivables	566,219	576,056
Non-current		
Trade debtors (a)	8,217	33,041
Other loan receivables (b)	1,736	5,151
Provision for impairment of receivables (b)	(50)	(500)
	1,686	4,651
Total non-current receivables	9,903	37,692

(A) Trade debtors

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 of title approximates the carrying value of the trade debt. Trade debtors have been utilised to secure a cash advance from the Waratah Program of $30.0 million at 31 January 2013 (2012: $35.0 million).

A proportion of trade debt has been classified as non-current on the basis that the receivable will be collected over a period of greater than 12 months. Settlement of these debts is in accordance with agreed commercial arrangements that reflect terms and conditions commensurate with settlement over such period.

Impaired trade receivables

As at 31 January 2013, current trade receivables of the Group with a nominal value of $4.0 million (2012: $43.2 million) were impaired. The amount of the provision was $3.7 million (2012: $33.0 million). The individually impaired receivables mainly relate to customers who are in difficult economic situations. Each debtor has been assessed independently and taking into consideration all aspects of the debt and the probability of recovery. Where debt recovery is remote, the amount has been fully provided, and in instances where there is a reasonable prospect of debt recovery, an estimate has been made on the most likely outcome according to information available at 31 January 2013.

The ageing of these impaired Group receivables is as follows:

	2013 $'000	2012 $'000
0 days to 90 days overdue	1,756	7,596
Over 90 days overdue	2,225	35,575
	3,981	43,171

As at 31 January 2013, trade receivables of $8.2 million (2012: $7.0 million) 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:

	2013 $'000	2012 $'000
0 days to 30 days overdue	4,950	2,173
Over 30 days overdue	3,247	4,829
	8,197	7,002

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

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

	2013 $'000	2012 $'000
At start of financial year	32,985	23,166
Provision for impairment adjustment	(201)	11,913
Receivables written off during the year as uncollectible	(29,044)	(2,094)
At end of financial year	3,740	32,985

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

(B) Other loan receivables

During the prior year, Sigma assumed all loans receivable in Gateway Unit Trust with a total value of $9.0 million. At 31 January 2013, there are 2 individual loans remaining with a total nominal value of $1.6 million (2012:$5.5 million). The amount of the loan receivables due within 12 months have been classified as current, and the balance of the loan receivables due after 12 months have been classified as non-current.

All other loan receivables are secured and Sigma holds various charges and guarantees over these loans.

Impaired other loan receivables

As at 31 January 2013, $0.05 million (2012:$0.5 million) of non-current receivables were considered impaired and a full provision for this impairment has been made.

(C) 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 on trade debt, apart from a standard retention of title clause.

(D) Foreign exchange risk and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other receivables is provided in Note 34.

12. INVENTORIES

	2013 $'000	2012 $'000
At Cost		
Finished goods	259,847	222,838
Provision for obsolescence	(4,837)	(8,621)
Net inventories	255,010	214,217

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 February 2011				
Cost		20,200	66,166	86,366
Accumulated depreciation		(2,889)	(30,943)	(33,832)
Net book amount		17,311	35,223	52,534
Year ended 31 January 2012				
Opening net book amount		17,311	35,223	52,534
Additions		–	7,624	7,624
Transfer of completed projects		3,400	(3,400)	–
Transfer from assets held for sale		14,000	–	14,000
Disposals		–	(482)	(482)
Depreciation	5	(879)	(4,195)	(5,074)
Closing net book amount		33,832	34,770	68,602
At 31 January 2012				
Cost		42,953	59,775	102,728
Accumulated depreciation		(9,121)	(25,005)	(34,126)
Net book amount		33,832	34,770	68,602
Year ended 31 January 2013				
Opening net book amount		33,832	34,770	68,602
Additions		–	10,200	10,200
Transfer of completed projects		113	(113)	–
Disposals		–	(16)	(16)
Depreciation	5	(629)	(4,601)	(5,230)
Closing net book amount		33,316	40,240	73,556
At 31 January 2013				
Cost		43,064	69,434	112,498
Accumulated depreciation		(9,748)	(29,194)	(38,942)
Net book amount		33,316	40,240	73,556

14. INTANGIBLE ASSETS

	Note	Brand Names $'000	Development Costs $'000	Total $'000
At 1 February 2011				
Cost		23,279	780	24,059
Accumulated Amortisation		(8,249)	(776)	(9,025)
Net book amount		15,030	4	15,034
Year ended 31 January 2012				
Opening net book amount		15,030	4	15,034
Foreign currency movements		(2)	–	(2)
Amortisation	5	(431)	(4)	(435)
Closing net book amount		14,597	–	14,597
Year ended 31 January 2012				
Cost		23,276	780	24,056
Accumulated Amortisation		(8,679)	(780)	(9,459)
Net book amount		14,597	–	14,597
Year ended 31 January 2013				
Opening net book amount		14,597	–	14,597
Foreign currency movements		75	–	75
Amortisation	5	(435)	–	(435)
Closing net book amount		14,237	–	14,237
Year ended 31 January 2013				
Cost		23,478	780	24,258
Accumulated Amortisation		(9,241)	(780)	(10,021)
Net book amount		14,237	–	14,237

Impairment of intangible assets

Brand names are carried at cost less accumulated amortisation and impairment losses. At the end of each reporting period the Group assesses whether there is any indication that intangible assets may be impaired. No such indication was evident at balance date.

15. DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

2013	Balance 1 February 2012 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 January 2013 $'000
Trade and other receivables	9,960	(9,081)	–	879
Inventories	2,586	(1,135)	–	1,451
Trade and other accruals	3,441	(554)	–	2,887
Provisions for employee benefits	2,963	461	–	3,424
Other	1,095	2,118	–	3,213
Derivative hedge reserve	(560)	–	280	(280)
Equity raising costs capitalised in equity	1,184	(592)	–	592
Intangibles	(3,523)	2,905	–	(618)
Property, plant and equipment	(4,742)	281	–	(4,461)
Net deferred tax assets	12,404	(5,597)	280	7,087
Deferred tax assets	18,951	(5,854)	–	13,097
Deferred tax liabilities	(6,547)	257	280	(6,010)
Net deferred tax assets	12,404	(5,597)	280	7,087

2012	Balance 1 February 2011 $'000	Recognised in income $'000	Recognised in equity $'000	Balance 31 January 2012 $'000
Trade and other receivables	6,950	3,010	–	9,960
Inventories	3,052	(466)	–	2,586
Trade and other accruals	3,505	(64)	–	3,441
Provisions for employee benefits	3,708	(745)	–	2,963
Other	–	1,095	–	1,095
Derivative hedge reserve	(813)	–	253	(560)
Equity raising costs capitalised in equity	2,023	–	(839)	1,184
Intangibles	(3,523)	–	–	(3,523)
Property, plant and equipment	(4,771)	29	–	(4,742)
Net deferred tax assets	10,131	2,859	(586)	12,404
Deferred tax assets	19,315	(364)	–	18,951
Deferred tax liabilities	(9,184)	3,223	(586)	(6,547)
Net deferred tax assets	10,131	2,859	(586)	12,404

16. PAYABLES

	2013 $'000	2012 $'000
Current		
Trade creditors	375,775	311,554
Other creditors	27,805	29,115
Total current payables	403,580	340,669

Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to Note 34.

17. BORROWINGS

	2013 $'000	2012 $'000
Current		
Secured loans	30,000	35,000
Total current borrowings	30,000	35,000

Waratah Facility

The Company by executing the "Waratah Receivables Purchase Agreement dated 28 January 1999" and amended as part of the "Sigma Amendment Agreement No. 6" dated 24 March 2011, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 5 February 2014. The original facility of $200 million was reduced to $125 million on 9 August 2012 after agreement was sought and obtained from Westpac Banking Corporation.

The facility is subject to interest cover and gearing covenants and provides the Company with additional funding flexibility to meet its working capital requirements. Using a pool of its eligible receivables as security, Sigma can draw down funds provided through a series of "back to back" assets and loans to the ultimate lender by selling commercial paper instruments.

In the event of debt capital market disruption a termination of the facility is not triggered. To fund a repayment of maturing commercial paper, Sigma may access the agent's liquidity facility, or in the event the performing receivables were insufficient to access this facility, it could access a line of credit from the agent. Either scenario requires Sigma to repay the agent (not Waratah) from the following potential sources depending on how long the commercial paper market remains disrupted:

a) a refinance of existing facilities

b) sale proceeds from a new issue of commercial paper once the commercial paper markets reopen trading and/or

c) collection of the underlying receivables.

The facility imposes rights and obligations on Sigma with respect to the quality and maintenance of its debtor book, collection of receivables, settlement and reporting to the third party. As at the year ended 31 January 2013, Sigma has complied with its obligations under the facility.

The interest rate applicable to the facility is variable and Sigma does not hedge the interest rate.

The debt has been classified as current as the underlying financial instruments supporting the back to back assets and loans have a maturity profile that varies between 30 and 90 days.

Details of the Group's exposure to risk arising from borrowings are set out in Note 34.

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 Australian dollars. For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 34.

18. PROVISIONS

	2013 $'000	2012 $'000
Current		
Employee benefits	8,805	7,840
Redundancy provisions	150	–
Lease make good provision	1,038	980
Directors' retirement	184	177
Total current provisions	10,177	8,997
Non-current		
Employee benefits	1,245	888
Total non-current provisions	1,245	888

Movement in provisions

Movement in each class of provision during the financial year, other than employee benefits, are set out below:

2013	Redundancy provision $'000	Lease make good provision $'000	Directors' retirement $'000
Current			
Carrying amount at start of year	–	980	177
Charged/(credited) to profit or loss			
– additional provisions recognised	1,276	58	7
Amounts used during the year	(1,126)	–	–
Carrying amount at the end of the period	150	1,038	184

19. CONTRIBUTED EQUITY

	2013 $'000	2012 $'000
Issued capital		
Ordinary shares fully paid	1,368,474	1,382,504
Issued capital held by equity compensation plan		
Treasury shares	(31,248)	(17,246)
Total contributed capital	1,337,226	1,365,258

(A) Movements in ordinary share capital – The Company

Date	Details	Notes	No. of shares	Issue Price	$'000
January 2011	Closing Balance		1,178,626,572		1,919,708
May 2011	Shares forfeited under the Employee Share Plan		(7,394,187)	$1.57	(11,632)
May 2011	Shares issued under the Employee Share Plan		1,358,159	$0.38	517
June 2011	Shares bought back onmarket		(7,145,581)	$0.50	(3,587)
June/July 2011	Shares issued under the Executive loan funded share plan		13,181,609	$0.51	6,714
October 2011	Reduction in share capital Section 258F	(g)	–		(1,533,849)
January 2012	Closing Balance		1,178,626,572		377,871
March/June 2012	Shares forfeited under the Employee Share Plan		(3,260,897)	$1.32	(4,290)
March/May 2012	Shares issued under the Executive loan funded share plan		9,592,086	$0.56	5,383
June 2012	Shares issued Employee Share Plan		1,345,759	$0.60	802
Year 2012–13	Share buyback	(h)	(23,633,906)	$0.67	(15,925)
January 2013	Closing Balance		1,162,669,614		363,841

(B) Movements in ordinary share capital – Consolidated

Date	Details	Notes	No. of shares	Issue Price	$'000
January 2011	Closing Balance				1,390,492
May 2011	Shares forfeited under the Employee Share Plan		(7,394,187)	$1.57	(11,632)
May 2011	Shares issued under the Employee Share Plan		1,358,159	$0.38	517
June 2011	Shares bought back on-market		(7,145,581)	$0.50	(3,587)
June/July 2011	Shares issued under the Executive loan funded share plan		13,181,609	$0.51	6,714
January 2012	Closing Balance				1,382,504
March/June 2012	Shares forfeited under the Employee Share Plan		(3,260,897)	$1.32	(4,290)
March/May 2012	Shares issued under the Executive loan funded share plan		9,592,086	$0.56	5,383
June 2012	Shares issued Employee Share Plan		1,345,759	$0.60	802
Year 2012–13	Share buyback	(h)	(23,633,906)	$0.67	(15,925)
January 2013	Closing Balance				1,368,474

(C) Movements in treasury share capital

Date	Details	No. of shares	$'000
January 2011	Closing balance	(15,406,918)	(22,845)
May 2011	Shares forfeited under the Employee Share Plan	7,394,187	11,632
May 2011	Shares issued under the Employee Share Plan	(1,358,159)	(517)
June/July 2011	Shares issued under the Executive loan funded share plan	(13,181,609)	(6,714)
Year 2012–13	Employee shares exercised	1,399,766	1,198
January 2012	Closing balance	(21,152,733)	(17,246)
March/June 2012	Shares forfeited under the Employee Share Plan	3,260,897	4,290
March/May 2012	Shares issued under the Employee Share Plan	(9,592,086)	(5,383)
June 2012	Shares issued under the Executive loan funded share plan	(1,345,759)	(802)
Year 2012–13	Shares bought on market	(18,300,000)	(12,555)
Year 2012–13	Employee shares exercised	554,751	448
January 2013	Closing balance	(46,574,930)	(31,248)

(D) 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.

(E) Treasury Shares

The shares held by the "Equity Compensation Plan" account is used to record the balance of treasury shares which are 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) (See Note 29).

(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.

(G) Capital reduction

During the prior period, the Board approved the reduction of capital in the Company under section 258F of the Corporations Act. The capital reduction did not result in a change to the share capital of the consolidated Group and has only impacted share capital and accumulated losses in the parent entity.

(H) Share buy-back

During the year the Company announced that as part of its ongoing capital management strategy it would undertake an on-market share buyback of up to 10% of its issued ordinary shares. The share buyback commenced on 2 October 2012. A total of 23,633,906 shares were bought back during the year at a total cost of $15.9 million. The average price paid was $0.67.

6,567,116 shares bought back in January 2013 were cancelled in February 2013 all other shares bought back were cancelled during the year. The on-market buyback will continue into the 2014 financial year.

20. RESERVES

	Capitals Profits Reserve $'000	Foreign Currency Translation Reserve $'000	General Reserve $'000	Options/ Performance Rights Reserve $'000	Embrace $'000	Derivative Hedge Reserve $'000	Employee Share Reserve $'000	Total $'000
Balance at 31 January 2011	1,450	(89)	2,280	5,144	2,883	1,958	–	13,626
Foreign exchange translation expense	–	2	–	–	–	–	–	2
Options/performance rights expense	–	–	–	680	(1,426)	–	–	(746)
Options exercised	–	–	–	–	(1,457)	–	–	(1,457)
Dividends appropriated	–	–	–	–	–	–	2,539	2,539
Transfer dividend component of SESA shares from retained earnings	–	–	–	–	–	–	5,111	5,111
Dividend applied to equity compensation plan	–	–	–	–	–	–	(2,388)	(2,388)
Net movement in derivatives	–	–	–	–	–	(931)	–	(931)
Deferred income tax	–	–	–	–	–	279	–	279
Balance at 31 January 2012	**1,450**	**(87)**	**2,280**	**5,824**	**–**	**1,306**	**5,262**	**16,035**
Foreign exchange translation expense	–	85	–	–	–	–	–	85
Options/performance rights expense	–	–	–	2,411	–	–	–	2,411
Dividends appropriated	–	–	–	–	–	–	1,154	1,154
Dividend applied to equity compensation plan	–	–	–	–	–	–	(277)	(277)
Transfer to retained earnings*	(1,450)	(14)	(2,280)	(474)	–	–	–	(4,218)
Net movement in derivatives	–	–	–	–	–	(933)	–	(933)
Deferred income tax	–	(26)	–	–	–	280	–	254
Balance at 31 January 2013	**–**	**(42)**	**–**	**7,761**	**–**	**653**	**6,139**	**14,511**

**Transfer to retained earnings*
During the year a total of $4.2 million of unutilised reserves were transferred to retained earnings.

Nature and purpose of reserves

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 statement of comprehensive income 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.

Embrace

During the prior year, the Company discontinued the incentive program that was offered to Embrace customers. Compliant Embrace customers were paid a total of $1.4 million equivalent of shares in the Company from the Embrace Reserve for achieving specified performance goals. An excess of $1.4 million was reversed from the Reserve and taken to the profit and loss.

Derivative hedge reserve

This reserve 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 derivative hedge reserve, and taken to the statement of comprehensive income.

Employee share reserve

This reserve was created prior year to recognise dividends paid by the Company that were eliminated on consolidation on unvested shares held by Sigma Employee Share Plan referred to in Note 2(t). The reserve other than the amount in relation to forfeited shares will reverse against share capital held by the equity compensation plan when the shares vest.

21. EXPENDITURE COMMITMENTS

	Note	2013 $'000	2012 $'000
Contracts for capital expenditure for which no amounts have been provided		1,294	3,425
Non-cancellable operating leases commitments	(a)		
Expenditure contracted but not provided for in the financial statements:			
Payable not later than one year		5,813	6,012
Payable later than one year but not later than five years		11,064	12,316
Payable later than five years		13,375	14,892
		30,252	33,220

(a) Assets that are the subject of operating leases include leased premises, motor vehicles, items of machinery and equipment. The lease terms for leased premises vary between 5 and 15 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 is between 3 and 5 years.

22. AUDITORS REMUNERATION

	2013 $'000	2012 $'000
During the year the auditors, and its related practices, of Sigma Pharmaceuticals Limited earned the following remuneration:		
Deloitte Touche Tohmatsu		
Audit and review of financial reports of the entity or any controlled entity	250,000	–
Other assurance services provided		
Other advisory services	69,114	–
PricewaterhouseCoopers, Australia		
Audit and review of financial reports of the entity or any controlled entity	2,598	502,871
Other assurance services provided		
Corporate policy framework review	–	102,000
IT capabilities review	–	65,000
Other advisory services	–	14,417
Other services provided by a related practice of PricewaterhouseCoopers, Australia		
Tax compliance services provided by PricewaterhouseCoopers, New Zealand	–	2,500
Total	321,712	686,788

23. KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) Key management personnel compensation

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

Directors	Position
Mr B Jamieson	Chairman
Mr M Hooper	CEO & Managing Director
Mr D Bayes	Non-Executive Director
Mr R Gunston	Non-Executive Director
Mr D Manuel	Non-Executive Director
Ms L Nicholls, AO	Non-Executive Director

Key management personnel

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

Name	Position
Mr G Dunne	Chief Operating Officer
Mr J Sells	Chief Financial Officer

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 5–20.

The disclosures in the Remuneration Report are audited.

The aggregate compensation made to key management personnel of the Group is set out below:

	2013 $	2012 $
Short-term employee benefits	3,633,529	3,599,710
Post-employment benefits	143,387	109,716
Long-term benefits	9,912	4,709
Share-based payments	1,695,585	1,155,297
	5,482,413	4,869,432

Disclosures relating to related party transactions with Director or key management personnel are set out in Note 24.

(B) Equity instrument disclosures relating to key management personnel

The following table details the options and rights issued by the Company to key management personnel.

(i) Performance rights issued to key management personnel

2013 Name	Balance at start of year	Granted as compensation	Exercised	Lapsed during year	Balance at year end
CEO & Managing Director					
Mr M Hooper	4,051,237	691,254	–	–	4,742,491
Key Executive					
Mr G Dunne	–	74,962	–	–	74,962
Mr J Sells	1,012,808	141,678	–	–	1,154,486

2012 Name	Balance at start of year	Granted as compensation	Exercised	Lapsed during year	Balance at year end
CEO & Managing Director					
Mr M Hooper	–	4,051,237	–	–	4,051,237
Key Executive					
Mr J Sells	710,227	302,581	–	–	1,012,808
Former Key Executive					
Mr P Tilley	205,807	–	–	(205,807)	–

(ii) Equity holdings of key management personnel

2013	Number of shares at start of year	Number of shares acquired through Share Plans during the year	Number of shares purchased during the year	Number of shares sold during the year	Other changes	Number of shares at end of year
Directors						
Mr B Jamieson	420,575	–	55,084	–	–	475,659
Mr D Bayes	152,535	–	33,674	–	–	186,209
Mr R Gunston	48,368	–	28,946	–	–	77,314
Mr D Manuel	84,589	–	24,321	–	–	108,910
Ms L Nicholls, AO	464,563	–	32,428	–	–	496,991
CEO & Managing Director						
Mr M Hooper	100,000	–	–	–	–	100,000
Key Executive Personnel						
Mr G Dunne	–	–	–	–	–	–
Mr J Sells	150,000	–	–	–	–	150,000

2012	Number of shares at start of year	Number of shares acquired through Share Plans during the year	Number of shares purchased during the year	Number of shares sold during the year	Other changes	Number of shares at end of year
Directors						
Mr B Jamieson	254,993	–	165,582	–	–	420,575
Mr D Bayes	116,144	–	36,391	–	–	152,535
Mr R Gunston	18,642	–	29,726	–	–	48,368
Mr D Manuel	50,414	–	34,175	–	–	84,589
Ms L Nicholls, AO	427,285	–	37,278	–	–	464,563
Former Directors						
Mr W Scott (resigned 8 June 2011)	6,288,642	–	7,848	–	(6,296,490)[1]	–
CEO & Managing Director						
Mr M Hooper	100,000	–	–	–	–	100,000
Key Executive Personnel						
Mr G Dunne (commenced 25 July 2011)	–	–	–	–	–	–
Mr J Sells	–	–	150,000	–	–	150,000
Former Key Executive Personnel						
Mr P Tilley (resigned 30 November 2011)	4,000	–	–	–	(4,000)[1]	–

1. Former key management personnel are excluded for listing of holdings as at balance date.

23. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

iii. Option holdings over ordinary shares of key management personnel

2013	Number of shares at start of year	Number of shares granted through Share Plans during the year	Number of shares purchased during the year (excluding share plans)	Number of shares exercised during the year	Other changes	Number of shares at end of year
CEO & Managing Director						
Mr M Hooper	5,377,649	3,787,392[1]	–	–	–	9,165,041
Key Executive Personnel						
Mr G Dunne	1,639,925	1,158,436[1]	–	–	–	2,798,361
Mr J Sells	1,554,983	1,094,906[1]	–	–	–	2,649,889

2012	Number of shares at start of year	Number of shares granted through Share Plans during the year	Number of shares purchased during the year (excluding share plans)	Number of shares exercised during the year	Other changes	Number of shares at end of year
CEO & Managing Director						
Mr M Hooper	–	5,377,649[1]	–	–	–	5,377,649
Key Executive Personnel						
Mr G Dunne (commenced 25 July 2011)	–	1,639,925[1]	–	–	–	1,639,925
Mr J Sells	–	1,554,983[1]	–	–	–	1,554,983
Former Key Executive Personnel						
Mr P Tilley (resigned 30 November 2011)	–	5,254	–	–	(5,254)[2]	–

1. Represents shares allocated which are yet to fully vest under Sigma Executive Loan Funded Share Plan (LTI) and Sigma Employee Share Plan.
2. Former key management personnel are excluded for listing of holdings as at balance date.

24. RELATED PARTY DISCLOSURES

The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group.

Controlled entities

Interests in controlled entities are set out in Note 28.

The Group does not hold any investments, other than in controlled entities and jointly controlled entities.

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 23 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 former 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 ended 31 January 2013 was nil, (2012 – $1,429,568, during the time he was a director).

Also, Mr W Scott and his former Director-related entities provided services to the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these services during the financial year ended 31 January 2013 was nil, (2012 – $3,300, during the time he was a director).

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 ended 31 January 2013 was $4,890,868 (2012 – $4,839,016).

The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 11 was $502,480 (2012 – $511,988). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

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.

25. GUARANTEES

	2013 $'000	2012 $'000
Guarantees existed at the end of year in respect of:		
Other guarantees	2,424	987
Total	2,424	987

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 (See Note 28).

26. LITIGATION SETTLEMENT EXPENSE

Sigma Pharmaceuticals Limited reached an agreement in October 2012 to pay $57.5m to settle the shareholder class action brought against it by Slater & Gordon on behalf of certain shareholders who purchased shares in Sigma between 7 September 2009 and 25 February 2010. The settlement was conditional upon court approval, which was received on 19 December 2012 and $57.5m was paid on 21 December 2012. The reported expense consists of the agreed settlement amount plus legal costs relating to the litigation less insurance proceeds received, which proceeds may be subject to clawback by the underwriters in certain circumstances.

27. CONTINGENT LIABILITY

A contingent liability exists in respect of proceedings commenced in 2008 by Vifor (International) Limited in the Supreme Court of NSW. This matter has now been listed for trial in May 2013. The applicants are seeking damages in relation to alleged misuse of confidential information. The information usually required by AASB 137 Provisions, Contingent Assets and Contingent Liabilities is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The Company refutes the allegations and is defending the proceedings.

28. DETAILS OF CONTROLLED ENTITIES

	Country of formation or incorporation	Sigma Pharmaceuticals Group direct or indirect interest in ordinary shares/equity 2013 %	2012 %
Sigma Pharmaceuticals Limited	Australia		
Controlled entities			
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[b]	Australia	–	100
Amcal Pty. Limited[b]	Australia	–	100
Extend – A – Care Pty. Ltd[b]	Australia	–	100
Guardian Pharmacies Australia Pty. Ltd[a]	Australia	100	100
Sigma Employee Share Administration Pty Ltd	Australia	100	100
Sigma Finance Pty. Ltd[b]	Australia	–	100
Sigma NZ Limited	New Zealand	100	100
Pharmacy Wholesalers (Wellington) Limited	New Zealand	100	100
Whole Health Solutions Pty. Ltd[b]	Australia	–	100
Adrian Laboratories (Aust) Pty. Ltd[b]	Australia	–	100
Hilton Healthstream Pty. Ltd[b]	Australia	–	100
Health Haven Pty. Ltd[b]	Australia	–	100
Integrated Naturopathic Services Pty. Ltd[b]	Australia	–	100
Sigma Services Proprietary Limited[b]	Australia	–	100
QDL Limited[a]	Australia	100	100
Australian Pharmaceuticals Distributors Pty. Ltd[b]	Australia	–	100
QDL Pharmaceuticals Pty. Ltd[b]	Australia	–	100
Sunshine Pharmacies Pty. Ltd[b]	Australia	–	100
Sigma Research Pty. Ltd[b]	Australia	–	100
Pharmacy Finance Limited[b]	Australia	–	100
Sigma (W.A.) Pty. Ltd[a]	Australia	100	100

a. These wholly-owned companies are subject to a deed of cross guarantee. (See Note 33)
b. These companies were deregistered on 13 January 2013

29. EMPLOYEE SHARE PLANS AND SHARE BASED PAYMENTS

Employee Share Plan

The Company's Employee Share Plan periodically offers ordinary shares to all full or part time employees of the Group. The ordinary shares issued under the plan rank equally with all other fully paid ordinary shares on issue. Interest free loans are 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 under the Employee Share Plan:

Issue date	Issue price[(a)]	Total shares on issue[(a)]
9 December 2002	$0.89	4,435
4 August 2003	$1.28	430,195
20 September 2004	$1.66	722,843
16 June 2006	$2.48	889,500
21 January 2009	$0.97	1,011,600
15 January 2010	$1.00	932,000
23 May 2011	$0.38	1,229,436
18 June 2012	$0.60	1,312,177
		6,532,186

(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 and 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.

Share based payments

(A) Executive Short Term Incentive Option Plan

The short term incentive (STI) plan for executives of the Group is designed to drive key performance measures aligned to strategy and financial objectives. Pre-defined key performance measures are established each year to ensure the targets are relevant and challenging. Commencing the financial year ending 31 January 2012 the structure of the executive STI plan provides a balance between cash payment and deferred equity reward. (Details of the STI plan are set out on pages 9–11 of the Remuneration report).

The first issue of options under the STI plan was granted on 1 February 2012.The exercise price of options is based on the weighted average price at which the company shares are traded on the Australian Securities Exchange over the last five trading days prior to and including the date of the grant.

Set out below are summaries of options granted under the STI plan:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
01/02/12	31/01/13	$0.6003	–	611,210	–	–	611,210	611,210
01/02/12	31/01/14	$0.6003	–	611,210	–	–	611,210	–
01/03/13*	31/01/14	$0.6742	–	396,382	–	–	396,382	–
01/03/13*	31/01/15	$0.6742	–	396,382	–	–	396,382	–
Total			**–**	**2,015,184**	**–**	**–**	**2,015,184**	**611,210**

*Whilst the grant date is post yearend, the vesting period for these options commenced on 01/02/12

2012

No options were granted during the year.

29. EMPLOYEE SHARE PLANS AND SHARE BASED PAYMENTS (CONTINUED)

(B) Executive Loan funded Share Plan

Commencing the financial year ending 31 January 2012 the Company implemented a loan funded share plan for executives and senior employees. Participants are provided an interest free limited recourse loan to purchase shares in the Company if pre-defined vesting conditions are met three years from grant date. (Details of the LTI plan are set out on page 13 of the Remuneration report).

The first parcel of loan funded shares was granted to the participants on 28 June 2011. The exercise price is based on the weighted average price of shares in the Company over the last five trading days prior to and including the date of the grant.

Set out below are summaries of shares granted under the Plan:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2013								
28/06/11	20/06/16	$0.505	11,541,684	–	–	1,030,951	10,510,733	–
04/07/11	4/07/16	$0.540	1,639,925	–	–	–	1,639,925	–
01/02/12	31/01/17	$0.575	–	5,808,052	–	–	5,808,052	–
01/02/12	31/01/17	$0.540	–	3,784,034	–	–	3,784,034	–
Total			13,181,609	9,592,086	–	1,030,951	21,742,744	–
2012								
28/06/11	20/06/16	$0.505	–	11,541,684	–	–	11,541,684	–
04/07/11	4/07/16	$0.540	–	1,639,925	–	–	1,639,925	–
Total			–	13,181,609	–	–	13,181,609	–

(C) Other Equity Plan

Sign on performance rights granted to CEO/Managing Director and Chief Financial Officer

Upon commencement, the CEO/Managing Director and Chief Financial Officer were awarded an equity sign on bonus in the form of performance rights . A second grant of performance rights was made to both participants to offset the reduction in the Company's share price following the payment of the special dividend of 15 cents per share to shareholders on 11 May 2011 from the proceeds of the sale of the Pharmaceutical Division. Shareholder approval for all sign on performance rights awarded to the CEO/Managing Director was obtained at the 2011 Annual General Meeting. Provided the executives remain employed by the Company, 100% of the performance rights will vest on 6 September 2013. (Details of the performance rights are set out on page 20 of the Remuneration report).

Set out below are summaries of performance rights granted:

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
06/09/10	6/09/13	$0.352	3,551,136	–	–	–	3,551,136	–
29/04/11	6/09/13	$0.338	1,512,909	–	–	–	1,512,909	–
Total			5,064,045	–	–	–	5,064,045	–

(D) Fair value of options granted

The fair value of options and shares at grant date is independently determined using an option pricing model developed by the external consultant engaged by the Company. The model reference for computing the fair value under STI plan and Loan funded shares with ROIC vesting condition is Black –Scholes pricing model and loan funded shares with the TSR vesting condition is calculated using European barrier call pricing model.

The fair value produced by the model and the inputs into the model for the various share options granted during the year are set out below:

	STI Plan Tranche 1 Granted 1 February 2012	STI Plan Tranche 2 Granted 1 February 2012	Loan funded shares Granted 1 February 2012	Loan funded shares Granted 1 February 2012
Fair value	$0.5350	$0.4976	$0.1417	$0.2003
Inputs into the model:				
Grant date share price	$0.5750	$0.5750	$0.5750	$0.5750
Exercise price	$0.6003	$0.6003	$0.5750	$0.5400
Expected volatility	–	–	40%	40%
Vesting life	1 year	2 years	3 years	3 years
Option life	1 year	2 years	5 years	5 years
Expected dividend yield	7.5%	7.5%	7.5%	7.5%
Risk free interest rate	–	–	3.2%	2.7%

(E) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions attributable to employees recognised during the period as part of total share-based payment expense were as follows:

	2013 $'000	2012 $'000
Options issued under executive STI plan	743	–
Shares issued under loan funded share plan	1,032	295
Options issued under sign on performance rights	636	386
	2,411	681

30. CREDIT FACILITIES

	2013 $'000	2012 $'000
Credit standby arrangements		
Secured bank overdraft facilities	4,000	4,000
Amount of credit unused	4,000	4,000
Corporate credit card	3,000	3,000
Amount of credit unused	2,755	2,833
Waratah debtors securitisation facility available	125,000	200,000
Waratah debtors securitisation facility unused[a]	95,000	165,000

(a) The Group has utilised $30.0 million of the Waratah facility as at 31 January 2013 (2012: $35.0 million).

31. NOTES TO THE STATEMENT OF CASH FLOWS

	2013 $'000	2012 $'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 Statement of Financial Position as follows:		
Cash at bank and on hand	112,692	148,601
Cash and cash equivalents	112,692	148,601
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	18,686	49,172
Impairment of other assets	–	12,496
Depreciation expense	5,230	5,074
Amortisation expense	435	435
Reversal of loan receivable provision	(758)	(709)
Restructure provision reversal	–	(1,570)
Write back of Derivative reserve	(653)	(653)
Share-based payments expense/(benefit)	2,411	(746)
(Profit)/Loss on sale of property, plant and equipment	(7)	188
Loss on sale of discontinued operations	–	1,090
Change in assets and liabilities:		
(Increase)/decrease in inventories	(40,793)	11,309
(Increase)/decrease in net taxes receivable	(14,621)	7,950
(Increase)/decrease in prepayments	(1,033)	60
Decrease in trade and other receivables	34,144	27,383
Increase in trade creditors	64,221	60,270
Increase in provisions	1,537	141
(Decrease) in other creditors and deferred income	(3,173)	(26,119)
Net cash flows from operating activities	65,626	145,771

32. PARENT COMPANY FINANCIAL INFORMATION

(A) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2013 $'000	2012 $'000
Statement of Financial Position		
Current assets	47,533	54,788
Total assets	428,532	426,622
Current liabilities	14,344	873
Total liabilities	26,215	12,826
Net assets	402,317	413,796
Equity		
Issued capital	363,841	377,871
Reserves – Share based payments	5,761	3,825
Accumulated profit	32,715	32,100
Total equity	402,317	413,796
Profit for the year	65,210	259,670
Total comprehensive income for the year	65,210	259,670

(B) Guarantees entered into by parent entity

	2013 $'000	2012 $'000
Carrying amount included in liabilities	–	–

The parent entity has provided financial guarantees in respect of loans of subsidiaries amounting to $30 million (2012: $35.0 million), secured by way of deed over certain Sigma accounts receivable under the Waratah facility.

In addition, there are cross guarantees given by the Company as described in Note 33. No deficiencies of assets exist in any of these entities. No liability was recognised by the parent entity or the consolidated entity in relation to these cross guarantees, as the fair value of the guarantees is immaterial.

(C) Contingent liabilities of the parent entity

Please refer to Note 27 for comment on contingent liability. The parent entity did not have any other contingent liabilities as at 31 January 2013. For information about guarantees given by the parent entity, please see above.

(D) Contractual commitments for the acquisition of property, plant or equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 January 2013 or 31 January 2012.

(E) Parent company investment in subsidiary companies

The carrying value of the parent's investment in subsidiaries as at 31 January 2013 was $363.5 million (2012: $363.5 million).

(F) Receivables from Controlled Entities

During the 2013 financial year, an impairment reversal of $4.6 million (2012:$7.1 million reversal) was recognised in the parent Company books in relation to an intercompany loan receivable. The parent loan receivable is not overdue and eliminates on consolidation.

(G) Parent Company Capital reduction

During the prior year, the parent entity has made a reduction of capital under section 258F of the Corporations Act by writing off past retained losses of $1.534 billion against its share capital as described in Note 19(g).

33. 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 28 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 Statement of Comprehensive Income and Statement of Financial Position 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 2013 are set out below:

	2013 $'000	2012 $'000
Sales Revenue	2,942,391	2,853,867
Cost of goods sold	(2,733,982)	(2,651,188)
Gross Profit	208,409	202,679
Other revenue and income	38,426	36,219
Warehousing and delivery expenses	(101,921)	(91,639)
Sales and marketing expenses	(33,476)	(46,376)
Administration and other expenses	(33,795)	(10,875)
Litigation settlement expense	(48,004)	–
Depreciation and amortisation	(5,512)	(5,508)
Plant rationalisation and restructuring costs	(1,276)	1,570
Profit before finance costs	22,851	86,070
Finance income	4,170	7,142
Financial expenses	(2,338)	(5,517)
Net financing income	1,832	1,625
Profit before income tax	24,683	87,695
Income tax expense	(6,108)	(21,624)
Profit from continuing operations	18,575	66,071
Loss from discontinued operations	–	(1,090)
Profit for the year	18,575	64,981
Other comprehensive income/(loss)		
Changes in the fair value of cash flow hedges	(933)	(931)
Income tax relating to components of other comprehensive income	280	279
Other comprehensive income/(loss) for the year, net of tax	(653)	(652)
Total comprehensive income for the year	17,922	64,329
Summary of movements in consolidated retained earnings		
Retained losses at the beginning of the financial period	(693,965)	(561,347)
Profit for the year	18,575	64,981
Dividends provided for or paid	(65,073)	(197,599)
Transfer from retained earnings to reserves	4,218	–
Retained losses at the end of the financial period	(736,245)	(693,965)

	2013 $'000	2012 $'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	112,209	148,136
Trade and other receivables	566,184	576,023
Current income tax receivable	13,848	–
Inventories	255,010	214,217
Prepayments	3,714	2,687
Total current assets	950,965	941,063
Non-current assets		
Trade and other receivables	9,903	23,346
Property, plant and equipment	73,556	68,602
Intangible assets	12,188	12,468
Net deferred tax assets	7,661	13,001
Total non-current assets	103,308	117,417
Total assets	1,054,273	1,058,480
Current liabilities		
Trade and other payables	384,400	319,457
Borrowings	30,000	35,000
Current income tax liabilities	–	6,130
Provisions	10,177	8,997
Deferred income	141	503
Total current liabilities	424,718	370,087
Non-current liabilities		
Provisions	1,245	888
Deferred income	222	80
Total non-current liabilities	1,467	968
Total liabilities	426,185	371,005
Net assets	628,088	687,425
Equity		
Contributed equity	1,349,780	1,365,258
Reserves	14,553	16,132
Accumulated losses	(736,245)	(693,965)
Total parent entity interest	628,088	687,425

34. FINANCIAL INSTRUMENTS

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.

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.

For the year ended 31 January 2013, no new hedges were executed on the basis that the business was substantially cash positive during the year and purchases of stock in foreign currency was immaterial.

The group holds the following financial instruments:

	2013 $'000	2012 $'000
Financial Assets		
Cash and cash equivalents	112,692	148,601
Trade and other receivables	576,122	613,748
	688,814	762,349
Financial liabilities		
Trade and other payables	403,580	340,669
Borrowings	30,000	35,000
	433,580	375,669

(A) Market risk

(i) Foreign exchange risk

The Group operates mainly within Australia and maintains a subsidiary operation within New Zealand. The Group trades predominantly with entities in Australian dollars, accordingly exposure of the Group to foreign exchange risks arising from currency movements is immaterial.

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.

No foreign exchange hedges were entered into for the year ended 31 January 2013 (2012:Nil). Only a small portion of the Group's supply contracts are sourced from overseas entities and payable in the corresponding local currency. The major currencies were principally Euros (EUR) and New Zealand Dollars (NZD).

(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's main interest rate risk arises from borrowings under the Waratah facility (refer Note 17).

The Group did not enter into any interest rate hedge contracts during the year ended 31 January 2013 as the Group's interest rate exposure was minimal. There was an interest rate cap of $75.0 million with a weighted average cap rate of 6.0% that expired on 25 July 2012.

(iii) Summarised Sensitivity Analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk (against the implied 30 day bank bill rate). The table also represents the quantitative impact on the financial statements should the variation occur.

	31 January 2013				31 January 2012			
Interest rate risk	Carrying Amount $'000	Weighted average interest rate %	-1% Profit $'000	+1% Profit $'000	Carrying Amount $'000	Weighted average interest rate %	-1% Profit $'000	+1% Profit $'000
Financial assets								
Cash and cash equivalent	112,692	3.5%	(1,127)	1,127	148,601	4.7%	(1,486)	1,486
Accounts Receivable	556,844	–	–	–	592,478	–	–	–
Financial liabilities								
Trade Payables	(375,775)	–	–	–	(311,554)	–	–	–
Borrowings	(30,000)	5.3%	300	(300)	(35,000)	6.6%	350	(350)
Total increase/(decrease)			(827)	827			(1,136)	1,136

(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. The Group cash at bank is with the Westpac Banking Corporation which has a AAA rating.

The principal activity of the Group gives rise to a significant receivables value within the financial assets of the Group. 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.

Credit assessments are undertaken to determine the credit quality of the customer, taking into account 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 Group's Delegation of Authority manual. The utilisation of credit limits by customers is regularly monitored by operational management. The Group generally retains title over the goods sold until full payment is received, thus limiting the loss from a possible default to the profit margin made on the sale.

Credit risk further arises in relation to financial guarantees (refer to Note 25) given to certain parties. Such guarantees are only provided in exceptional circumstances and are approved by senior management.

(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 and managing cash and cash equivalents on the basis of expected cash flows.

The Weighted Average Term to Maturity of committed bank facilities and rolling cash flow forecasts are periodically provided to management and the Board.

The Group's current year and prior year financial liabilities are all current. The Waratah debt has been classified as current as the underlying financial instruments supporting back to back assets and loans has a maturity profile that varies between 30 and 90 days.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(D) Fair value measurement

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement for disclosure purposes. As per AASB 7 Financial Instruments disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

There are no derivative financial instruments effective at balance date.

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.

Interest rate options include caps, floors and collars. Interest rate options held as at 31 January 2012, comprised of one interest rate cap with the weighted average cap rate of 6.0% over a notional principal of $75 million. This interest rate option expired 25 July 2012.

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 the statement of comprehensive income when the hedged interest expense is recognised and included in finance cost. The ineffective portion is then recognised in the profit and loss immediately. Changes in the extrinsic value of interest rate options are periodically recorded in the profit and loss over the life of the instrument.

Summary of interest rate derivative financial instruments

As at 31 January 2013

	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	–	–	–	–	–	–

As at 31 January 2012

	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	–	–	75,000	6.00	–	–

35. EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked final dividend of 2.0 cents to be paid on 19 April 2013 to shareholders on the register at the ex-dividend date of 19 March 2013. The total amount payable for these dividends is $23.3 million.

DIRECTORS' DECLARATION

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

(a) the financial statements and notes, set out on pages 22–64, are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2013 and of its performance for the financial year ended on that date and

(ii) complying with Australian Accounting Standards, the *Corporate Regulations 2001*, and other mandatory professional reporting requirements 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 28 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.

Note 1(b) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 January 2013 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.

Mr Brian Jamieson
Chairman

Mr Mark Hooper
CEO and Managing Director

Melbourne
13 March 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

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, which comprises the consolidated statement of financial position as at 31 January 2013, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 65.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated 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. Those 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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sigma Pharmaceuticals Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 31 January 2013 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 20 of the directors' report for the year ended 31 January 2013. 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.

Opinion

In our opinion the Remuneration Report of Sigma Pharmaceuticals Limited for the year ended 31 January 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tony Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 13 March 2013

SHAREHOLDER INFORMATION

EQUITY SECURITY HOLDERS

As at 15 March, the Company has 1,162,669,614 ordinary shares on issue. Further details of the Company's equity securities are as follows:

LARGEST SHAREHOLDERS

The following table shows the 20 largest registered shareholders as at 15 March 2013 (as named on the register of shareholders):

	Ordinary Shares	
Name	Number Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	179,731,065	15.46%
J P Morgan Nominees Australia Limited	179,633,991	15.45%
National Nominees Limited	174,936,959	15.05%
Citicorp Nominees Pty Limited	65,424,856	5.63%
BNP Paribas Noms Pty Ltd	50,596,970	4.35%
JP Morgan Nominees Australia Limited	45,230,614	3.89%
Mark Robert Hooper	16,128,866	1.39%
HSBC Custody Nominees (Australia) Limited	15,249,008	1.31%
Merrill Lynch (Australia) Nominees Pty Limited	8,043,956	0.69%
Accumulation Chess Entrepot	5,963,286	0.51%
Gary Dunne	4,877,093	0.42%
QIC Limited	4,725,790	0.41%
AMP Life Limited	4,721,841	0.41%
Jeffrey Sells	4,649,710	0.40%
Invia Custodian Pty Limited	3,469,715	0.30%
Citicorp Nominees Pty Limited	3,147,448	0.27%
CS Fourth Nominees Pty Ltd	3,083,059	0.27%
RBC Investor Services Australia Nominees Pty Limited	2,828,518	0.24%
Invia Custodian Pty Limited	2,823,763	0.24%
Woodross Nominees Pty Ltd	2,435,717	0.21%
Total	777,702,225	66.89%
Balance of Register	384,967,389	33.11%
Grand Total	1,162,669,614	100.00%

SUBSTANTIAL SHAREHOLDERS

The following table shows the substantial holders in the Company as notified to the Company in substantial holding notices as at 15 March 2013:

Names	Noted Date of Change	Number of Equity Securities	Voting Power
Allan Gray Australia Pty Ltd	30/11/2012	105,787,656	8.98%
Vinva Investment Management	5/3/2013	87,008,873	7.48%
Paradice Investment Management Pty Ltd	11/2/2013	86,782,207	7.42%
Bennelong Funds Management Group Pty Ltd	21/01/2013	67,482,497	5.87%
DFA Group	12/2/2013	58,779,772	5.02%

DISTRIBUTION OF EQUITY SECURITIES

Holding Distribution	
Range	No of Holders
100,001 and Over	543
50,001 to 100,000	671
10,001 to 50,000	5,346
5,001 to 10,000	3,994
1,001 to 5,000	8,309
1 to 1,000	1,388
Total	20,251
Unmarketable Parcels	466

VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out as below:

Ordinary Shares

Holders of ordinary shares have the right to vote at every general meeting of the Company and at separate meetings of holders of Ordinary Shares. At a general or separate meeting, every holder of ordinary shares present in person or by proxy has, on poll, one vote for each ordinary share held.

Performance Rights

1. Performance Rights have been issued to the CEO and Managing Director and CFO in the financial year 2011 as a sign on incentive.
   – maximum number of ordinary shares which may be issued if the performance conditions are achieved: 5,064,045
   – participants do not have voting rights
2. Performance rights have been issued to employees as part of the Executive Short Term Incentive Plan in the financial years of 2012 and 2013.
   – number of employees participating: 2012 Plan:11, 2013 Plan: 5
   – maximum number of ordinary shares which may be issued if the performance conditions are achieved: 2,015,184
   – participants do not have voting rights

SHAREHOLDER CALENDAR*

Results Announced	14 March 2013
Ex-Dividend Date	19 March 2013
Dividend Record Date	25 March 2013
Dividend Payment Date	19 April 2013
Annual General Meeting	8 May 2013

* Dates may be subject to change

FIVE YEAR SUMMARY

	2009 ($m[5])	2010 ($m[5])	2011 ($m[5])	2012 ($m)	2013 ($m)
Operating results					
Sales revenue	3,081.3	3,220.4	3,339.6	2,853.9	2,942.4
EBITDA	235.0	(276.4)	(111.3)	74.7	28.8
EBIT	190.3	(322.2)	(159.0)	69.2	23.1
Profit / (Loss) before tax	113.5	(394.3)	(237.7)	70.8	24.9
Profit / (Loss) after tax	80.1	(398.3)	(235.4)	49.2	18.7
Financial position					
Working capital	179.5	216.5	615.2	495.1	436.1
Fixed assets (incl intangibles)	1,515.0	1,113.6	67.6	83.2	87.8
Other assets & liabilities	(108.9)	(61.8)	(52.0)	(9.4)	4.2
Capital employed	1,585.6	1,268.3	630.8	568.9	528.1
Net debt / (Net Cash)	387.7	210.6	(202.1)	(113.6)	(82.7)
Net assets	1,197.9	1,057.7	832.9	682.5	610.8
Shareholder related					
Dividend					
– ordinary per share	7.0c	3.0c	–	3.5c	4.0c
– special per share	–	–	15.0c	1.5c	–
– total dividends ($m)	59.9	35.0	176.8	58.9	47.0
Earnings / (Loss) per share	9.4c	(41.7c)	(20.2c)	4.2c	1.6c
Dividend payout ratio	75%	N/A	N/A	120%	251%
Net tangible asset backing per share	(16c)	14c	69c	57c	51c
Market capitalisation (year-end) ($m)	1,044	1,102	524	707	773
Ratios & Returns					
EBIT margin[1]	6.2%	-10.0%	-4.8%	2.4%	0.8%
Gearing[2]	24.5%	16.6%	N/A	N/A	N/A
Interest cover[3,4]	3.1x	(3.8x)	(1.4x)	N/A	N/A

1. EBIT/Sales Revenue
2. Net Debt/Capital Employed (year end). As at 31 January 2011, 31 January 2012 and 31 January 2013 the Group had cash and cash equivalents over and above total debt.
3. Reported EBITDA/Net Financing Costs (times)
4. As at 31 January 2012 and 31 January 2013, the Group had positive Net financing income.
5. Includes the Pharma Division results. This business was sold to Aspen in 2011.

CONTACT

COMPANY DETAILS
Sigma Pharmaceuticals Limited
Registered Office
3 Myer Place
Rowville
VIC 3178
Australia
www.sigmaco.com.au

CORPORATE HEAD OFFICE
3 Myer Place
Rowville
VIC 3178
Australia
Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188
Directors and
Senior Management
Refer to website:
www.sigmaco.com.au

COMPANY SECRETARY
Sue Morgan
3 Myer Place
Rowville
VIC 3178 Australia

INVESTOR RELATIONS
Chanmali Tregambe
Email investor.relations@signet.com.au

AUDITORS
Deloitte Touche Tohmatsu

SHARE REGISTRY DETAILS
Link Market Services
Locked Bag A14
Sydney South
NSW 1235 Australia
Tel (within Australia) 1300 554 474
Tel (International) +61 (0)2 8280 7111
Email registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

RECENT DIVIDENDS:
Sigma Pharmaceuticals Limited

2012	Interim Dividend	2.00c
2012	Final Dividend	2.00c

OFFICES – HEALTHCARE
3 Myer Place
Rowville VIC 3178 Australia
Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188

24–26 Watson Street
Shepparton Vic 3630 Australia
Tel +61 (0)3 5821 4255
Fax +61 (0)3 5831 3006

1 Distribution Place
Seven Hills NSW 2147 Australia
Tel +61 (0)2 9837 9001
Fax +61 (0)2 9837 9052

31 Glenwood Drive
Thornton NSW 2208 Australia
Tel +61 (0)2 4966 5444
Fax +61 (0)2 4966 5600

160 Wecker Road
Mount Gravatt Qld 4122 Australia
Tel +61 (0)7 3212 1621
Fax +61 (0)7 3849 4622

273 Bolsover Street
Rockhampton Qld 4701 Australia
Tel +61 (0)7 4922 1374
Fax +61 (0)7 4922 7328

31 Vanity Street
Toowoomba Qld 4350 Australia
Tel +61 (0)7 4634 5155
Fax +61 (0)7 4634 5465

16–20 Bell Street
Townsville Qld 4810 Australia
Tel +61 (0)7 4771 2022
Fax +61 (0)7 4772 3454

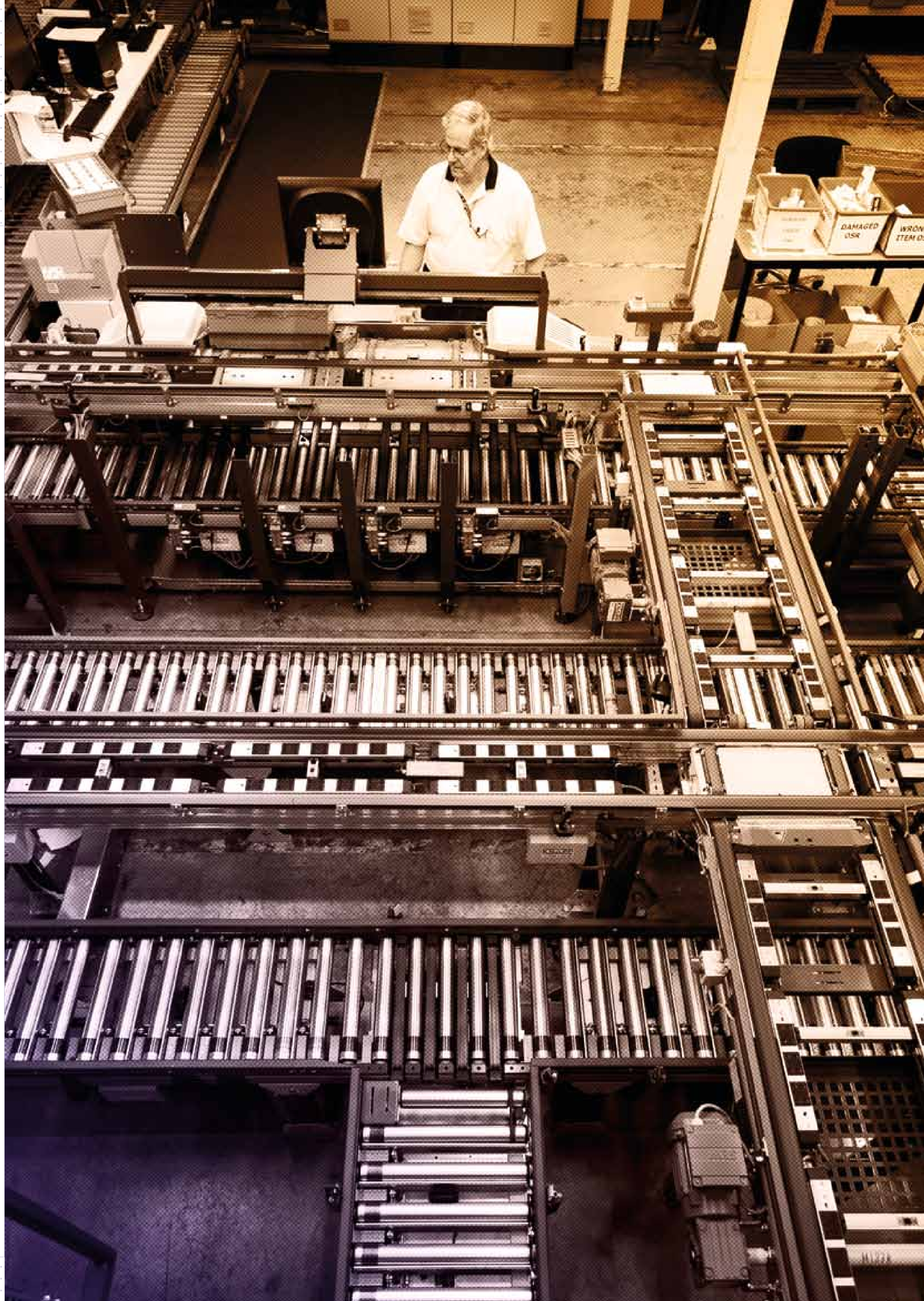
227 South Road
Ridleyton SA 5008 Australia
Tel +61 (0)8 8346 9561
Fax +61 (0)8 8340 1448

3/2205 Coonawarra Road
Winnellie NT 0820 Australia
Tel +61 (0)8 8984 4025
Fax +61 (0)8 8984 3875

6 Hubert Street
Belmont WA 6104 Australia
Tel +61 (0)8 9478 9700
Fax +61 (0)8 9277 6085

McKay Avenue
Grove Estate
Glenorchy Tas 7010 Australia
Tel +61 (0)3 6272 3211
Fax +61 (0)3 6272 3232

17–19 Windsor+ Street
Invermay Tas 7248 Australia
Tel +61 (0)3 6331 2011
Fax +61 (0)3 6331 6470



SIGMA

Sigma Pharmaceuticals Limited
Registered Office
3 Myer Place, Rowville
Victoria 3178 Australia

www.sigmaco.com.au