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STRONG HERITAGE  
HEALTHY HORIZONS

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ANNUAL REVIEW 2014/15

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**SIGMA – AUSTRALIA'S  
PARTNER OF CHOICE  
FOR HEALTH, BEAUTY  
AND WELLBEING.**

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## Our Business

As a full line pharmaceutical wholesaler, Sigma plays a pivotal role in the Australian healthcare landscape, helping to ensure affordable, reliable and timely access to quality medicines Australia wide. As owner of the Amcal, Amcal Max, Guardian, PharmaSave, Chemist King and Discount Drug Stores brands, Sigma is Australia's largest pharmacy-led network.

15

Distribution Centres

24hrs

Servicing Pharmacies Within

450

Our Suppliers

Over

1,200

Our Pharmacy-led Network

1,000

Our Team Members

4,000

Pharmacy Customers

14,000

Product Lines

Over

1,000,000

Items Delivered Daily

14,000

Customer Deliveries Per Week

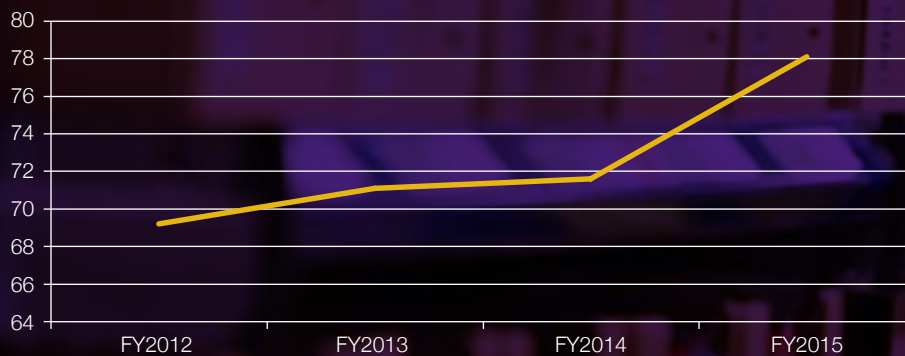
# Our Numbers 2014/15

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### Underlying Net Profit After Tax (NPAT) \$M



### Underlying Earnings Before Interest and Tax (EBIT) \$M



### Total Shareholder Returns (TSR) %



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Strong Position for Growth

**\$3.1b**

Sales Revenue

**\$78.0m**

EBIT

**\$52.8m**

NPAT

**14.5%**

Return on Invested Capital (ROIC)

**\$33.6m**

Net Cash at Year End



# Chairman's Report



I am proud to present Sigma's Annual Report for the 2014/15 year.

This year Sigma has continued to invest in our future, providing strong support for our pharmacy partners, their customers and our suppliers. Importantly, our strategies and investments are delivering tangible results.

The financial results for the year have seen growth in revenue of 5.7% achieved against a backdrop of a challenging PBS environment. Significant progress has now been made in implementing our strategic objectives to diversify our income base.

Reported Earnings Before Interest and Tax (EBIT) of \$78.0 million was up 11.0%, whilst Net Profit After Tax (NPAT) of \$52.8 million was down marginally on last year, largely reflecting the one-off tax-free gain in the previous year that did not repeat this year.

Importantly for shareholders, Sigma has declared a final dividend of 2.0 cents per share, plus a special dividend of 1.0 cent per share, both fully franked. Sigma has an objective of maintaining a high dividend payout ratio, with this final and special dividend representing 62% of NPAT being paid as a dividend. As previously announced, insufficient franking credits resulted in the decision not to pay an interim dividend earlier this year.

We have further broadened and enhanced our business and brands. Sigma now has the largest pharmacy-led network in Australia, with over 1,200 pharmacies within our network of owned brands (over 700) or under long-term contracts (over 500). Amcal and Guardian are repeatedly recognised as leading pharmacy brands for consumer satisfaction.

Meanwhile, our long-term partnership with Pharmacy Alliance delivers a compelling independent pharmacy offer.

Consistent with our diversification strategy, we welcomed Central Healthcare Services (CHS) and Discount Drug Stores (DDS) into the Sigma Group. These acquisitions bring complementary businesses to Sigma, with a different wholesale distribution model, strongly aligned retail brands in PharmaSave, Chemist King and Discount Drug Stores and a footprint in the hospital distribution market.

In short, we now have a solution for every pharmacy – a strong suite of pharmacy brands, an expanded product range, extended services and strong business support.

Our focus on efficient capital management has also continued. Since October 2012, Sigma has undertaken a large and sustained on-market share buy-back program. This program saw \$23.4 million invested this year in buying back and cancelling 31.6 million shares at an average weighted cost of \$0.74 per share – a good investment. Since launching this program, 97.9 million shares, or 8.3% of the shares on issue at the start of the program, have been cancelled, meaning our increased earnings are spread amongst fewer shares.

It is also pleasing to see the continued improving business performance reflected in the share price, which increased almost 35% for the 12 months to 31 January, outperforming the ASX200 over the same period. Over the last four years, Sigma's average Total Shareholder Return (TSR) is 182%, significantly outperforming the ASX200, which had a TSR of 41% over that period.

Notwithstanding our sustained share buy-back program, our business acquisitions, our capital investment program and our investment in products, processes, and people, Sigma has retained a very strong balance sheet, with net cash of \$33.6 million at year end. This places Sigma in an enviable position of strength as we continue to seek and assess investment opportunities.

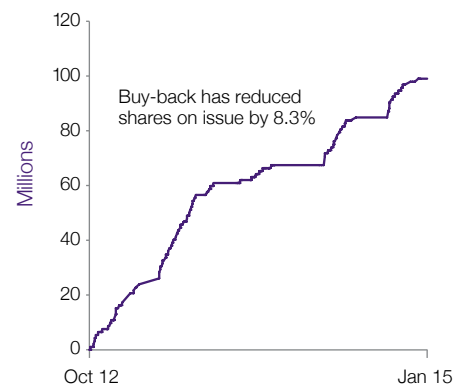
Significant progress has been achieved in the past year in implementing our strategy to deliver future growth from a broader revenue base. This focus will continue. Meanwhile, the investment in our distribution centre in south east Queensland is proceeding, with land acquired and plans well advanced to

commence development. With a go live date of early 2017, this investment will deliver a state-of-the-art facility to meet our needs in servicing our pharmacy members and the community into the future.

Equally important is the continued investment in our people, with various targeted training and development opportunities provided to team members to enhance the skills and talent from within Sigma. The health and safety of our team members is of paramount importance and is inbuilt into the culture of Sigma. Considerable work is undertaken to ensure robust policies and procedures are in place, and that these are communicated, reviewed and adhered to. We also provide considerable training opportunities to ensure our team members are appropriately skilled to perform their role.

Finally I would like to thank our valued partners – our suppliers, pharmacy members, customers, shareholders and our own team members. The Sigma business is built off a long and proud history in this industry, an industry that thrives on strong business partnerships and passion to drive healthy outcomes for all. This passion and drive instil me with confidence that Sigma has a healthy future.

## Shares Bought Back



Mr Brian Jamieson, Chairman

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SIGMA IS ABLE TO OFFER ALL OF ITS CUSTOMERS  
**A DIVERSE RANGE OF BRANDS AND SOLUTIONS**  
TO MEET THEIR CONSUMERS NEEDS.

# CEO and Managing Director's Report



This year has seen an acceleration of our strategy of delivering a sustainable and adaptable business model that positions Sigma as an industry leader and a partner of choice. The benefits are starting to be realised.

The past 12 months have seen:

- the acquisition of Central Healthcare Services (CHS) (including the PharmaSave and Chemist King pharmacy brands) and Discount Drug Stores (DDS) – both earnings accretive from day one, and collectively these acquisitions will deliver \$8–\$10 million in Earnings Before Interest and Tax (EBIT) in their first full year of operations;
- a new 10-year strategic agreement signed with our partner Pharmacy Alliance (PA), providing significant opportunity for independent community pharmacies, PA and for Sigma;
- the combination of around 700 of our own brand pharmacies and around 500 PA members has extended our pharmacy-led network to over 1,200;
- more than 30% improvement in adherence to our retail brand standards, providing enhanced in-store customer experience and improving profitability for Sigma and our pharmacy partners in Amcal and Guardian;
- the addition of 51 new members to our Amcal and Guardian branded network in 52 weeks;

- an extension of our Private and Exclusive Label range, which now has over 800 product lines contributing strongly to EBIT, including the exclusive Boots range which is number one in its category across the Amcal network;
- structured Professional Services programs, under the Health Services Australia (HSA) umbrella, embedded throughout our network, such as coeliac and kidney screening programs, bringing high-quality health programs to consumers;
- our brands continue to receive significant recognition, including Amcal winning the Canstar Blue Pharmacy of the Year Award and Guardian winning the Roy Morgan Customer Satisfaction Award for the third year running; and
- the development of our hospital distribution strategy, which will continue to evolve in the coming years.

Through our clear strategic focus, we are confident Sigma has now pieced together the most comprehensive pharmacy offering in the marketplace. We have further strengthened our partnerships through the supply chain to deliver a structured yet agile offering to meet the changing needs of the industry.

The benefits of our strategic initiatives are flowing through to our results. Our revenue mix is benefiting from our efforts to broaden our base with almost one-third now coming from non-PBS revenue. This year has seen Sigma achieve excellent results across a number of criteria:

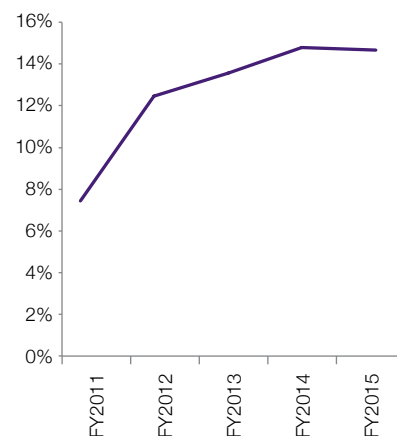
- Volumes distributed reached an all-time high of 240 million items, with logistics costs held in line with Consumer Price Index (CPI) – an outstanding achievement.
- Revenue of \$3.1 billion was up 5.7%, well above the deflationary impact of PBS reform.
- Reported EBIT of \$78.0 million was up 11.0% and benefitting from growth in non-PBS revenue.
- Return on Invested Capital (ROIC) of 14.5% was achieved off a broader base.

The underlying demographics are supportive of an industry that reaches out to an ageing, growing and diverse population all across Australia. Whilst PBS reform continues to be a negative drag on the industry, it is a 'known known' and is a major driver behind Sigma's strategy of improving our support for the community pharmacy model.

At the time of writing, the industry unknown continues to be the outcome of the negotiations on the upcoming Sixth Community Pharmacy Agreement (6CPA), which is due for renewal in June 2015. This agreement is critical in setting the business parameters for pharmacists and wholesalers and the ongoing viability of the Community Service Obligation (CSO). Sigma is actively engaged in this process through our association with the National Pharmaceutical Services Association (NPSA).

Our progress over the past 12 months has been very pleasing. I am also confident that our ability to service our markets is greatly enhanced, with the benefits beginning to be realised.

## Return on Invested Capital (ROIC)



**Mr Mark Hooper, CEO and Managing Director**

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# Amcal+

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Please Pay Here+

### A+Services

In Amcal, our qualified pharmacists are committed to delivering professional advice and services to our customers.

- Dispensing Amcal Direct
- Professional advice
- Dispensing
- Specialist Services

### Our Promise

At Amcal, our qualified pharmacists are dedicated to your total health and well being. We offer professional advice, service and all the information you need to help you: Get Well, Be Well and Stay Well.

**Amcal - Expert advice for every Australian**

**SIGMA HAS A STRONG AND COMPELLING PHARMACY OFFER SPEARHEADED BY ITS FLAGSHIP AMCAL BRAND.**

# Business Update

## Meet Our Brand Ambassadors



**Dr Cindy Pan**  
Guardian Health Ambassador

As a well-respected medical practitioner, media commentator and mother, Cindy embodies and provides a very clear connection to the values that both Guardian and Australians feel are important when it comes to professional advice and genuine care.



**Rachael Finch**  
Beauty Ambassador

One of Australia's favourite media personalities, Rachael has dedicated herself to the promotion of active and healthy lifestyle choices. She has endeared herself to the Australian public through her work as a fashion, health and beauty correspondent for Channel 7. Balancing her time between work, study and motherhood, Rachael has a strong connection with many pharmacy shoppers, particularly in the beauty segment.

## Private and Exclusive Label

Consistent with Sigma's strategy of broadening our revenue base, significant progress has been made in developing the breadth and depth of our portfolio of Private and Exclusive label products. This is becoming an increasingly important element in helping consumers to reduce their shopping costs and also to support the profitability of the pharmacy and Sigma.

Our range of Private and Exclusive label products are those that can only be acquired through Sigma's pharmacy network. Sigma has entered into global sourcing partnerships to bring high-quality product at affordable prices to the Australian market. Successes during the year include:

### Colour Theory

Our range extends to over 100 cosmetics, including seasonal and gifting collections. Colour Theory is the number two selling brand in volume across the Amcal, Amcal Max and Guardian Pharmacies network with sales volume up 5% on the previous year.

### Beauty Theory

With over 130 products in the range, Beauty Theory, sister brand to Colour Theory, is now outselling competitor products. Globally sourced, Beauty Theory now ranks number one in beauty accessories, achieving 30% of category volume within six months, and number two in hair accessories achieving 20% of category volume after four months. Both ranges have grown total categories.

### Skin Theory

Skin Theory is the new member of the Theory range. The skincare market is significant in Australia, providing great opportunity for Sigma to capture market share with a range of quality products with accessible price points.

### Boots Laboratories

Boots Laboratories is a global leader in skincare. Sigma and Alliance Boots entered into a strategic partnership to bring the Boots Laboratories anti-ageing skincare range to Australia. Boots Laboratories products are made by pharmacists for pharmacies, are independently tested and clinically proven to work. Since introduction in late 2013, Boots Laboratories has consistently filled the position of number

one skincare brand in Amcal, Amcal Max and Guardian Pharmacies. After only four weeks the Boots Laboratories range became number one in category share and continues to be number one to the present day.

## Be Good to Yourself (BGTY)

The Be Good To Yourself program provides a healthy path to achieving genuine lifestyle changes to support sustained weight management and overall wellbeing. The program is designed to fit in with the busy lifestyles of consumers by providing quality product and pharmacy support. A recent pilot program undertaken in partnership with nib insurers achieved great success in facilitating not only weight loss, but also changes in lifestyle to provide ongoing benefits to the consumer.

A survey of participants at the completion of the 12-week program showed:

- 95% had seen an improvement in their overall health;
- 85% had found that their level of joint pain had decreased; and
- 65% had lost at least five kilograms.

## Pharmacy Care

The Pharmacy Care range is sourced by Sigma for exclusive distribution to our pharmacy network. The breadth and depth of the range has been expanded and will comprise over 300 products across 27 categories in 2015, providing a fully supported total private label front of store solution. The scale available to Sigma means competitive pricing for consumers whilst broadening the revenue base of Sigma and our pharmacy customers.

## Amcal

The Amcal range of private label products is becoming a significant proportion of the Amcal business. Providing a full range of over 600 quality products to support the needs of every pharmacy. This range brings considerable scale to Sigma, enabling better buying to keep prices competitive yet maintaining profitability for the pharmacy and Sigma. The Amcal product range is part of a suite of products and services provided to Amcal members that is consistent with Sigma's strategy of putting the customer, pharmacist and shareholder at the centre of everything we do.

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**MORE THAN 30% IMPROVEMENT IN ADHERENCE TO OUR RETAIL BRAND STANDARDS ACROSS OUR NETWORK, PROVIDING ENHANCED IN-STORE CUSTOMER EXPERIENCE AND IMPROVED RETURNS FOR PHARMACY AND SIGMA.**

## Our Commitment to Integrated Healthcare



A sample of professional services offered



### Professional Services

In 2014 Sigma continued the roll-out of its structured Professional Services program, now under the Health Services Australia (HSA) umbrella. Leveraging the accessibility of pharmacists and highly trained pharmacy staff we drove improved patient outcomes for thousands of Australians. Our structured programs and health promotion campaigns help patients to optimise their medication use and have meaningful conversations with general practitioners. These programs,

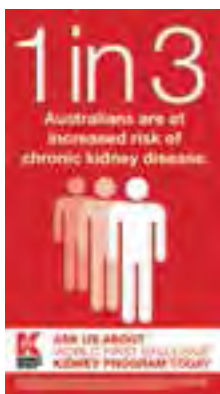
not only help improve the health of patients but also drive new value for member pharmacies and for our partners. By taking an integrated approach to healthcare, we create a new way for manufacturers to ensure consumers are deriving benefit from their products and ensure patients are guided into more complex care when necessary. The accessibility of the pharmacy channel, when combined with Sigma's structured programs and data

analytics, delivers new value to patients and other participants in the healthcare system such as general practitioners, health insurers and governments.

Sigma develops all of its Professional Services programs in consultation with its Clinical Advisory Committee to ensure patient benefit is at the centre of every activity. The following is a small sample of some of the activities rolled out in 2014.

### Kidney Check Program

Partnering with Kidney Health Australia, Sigma launched the world first Kidney Check Program to coincide with Kidney Health Week in May 2014. The program aimed to engage consumers with risk factors for chronic kidney disease who were unaware of their kidney function. With an estimated one in three Australians at increased risk of kidney disease, patients can lose up to 90% of their kidney function before experiencing any symptoms. The Kidney Check Program, launched through Amcal and Guardian Pharmacies nationally, involved a consultation with the pharmacist and a home test for urine protein (one sign of possible kidney damage). At-risk patients were referred to their general practitioner for further testing.



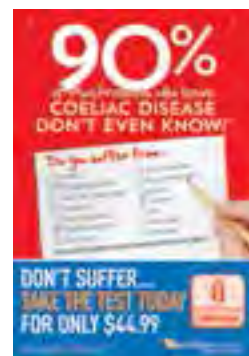
### Respiratory Check

Whilst the prevalence of Asthma and Chronic Obstructive Pulmonary Disease (COPD) is rising in Australia, sufferers often take significant time to receive appropriate treatment. Consumers often fail to recognise worsening symptoms and, even once prescribed medication, often fail to use it effectively. The 2014 Respiratory Check Campaign aimed to drive better symptom recognition and the quality use of medicines through a structured consultation with the pharmacist. Consumers were referred to their general practitioner for review, where appropriate, and were educated about the importance of correct medication use. The structured discussion of spacers (devices to aid the use of some inhalers used to treat Asthma and COPD) resulted in a 251% increase in the sale of these devices and significant improvements to patients' utilisation of their prescribed medications.



### Coeliac Disease Risk Assessment Program

In an Australian first, Sigma launched in-pharmacy coeliac disease risk assessment testing in September 2014 through the Amcal and Guardian networks. The program aimed to target the estimated 90% of Australians suffering from coeliac disease without a formal diagnosis. Patients with symptoms of coeliac disease who completed a pre-test questionnaire were then offered a structured consultation with the pharmacist and a simple finger prick blood test in the pharmacy. Patients were formally referred to their general practitioner for further investigation where appropriate. The program tested over 4,000 Australians in the first four weeks of operation and continues to provide consumers with an accessible, evidence-based way of engaging with the healthcare system and ultimately receiving appropriate treatment.



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**UNDER THE HSA UMBRELLA OUR STRUCTURED PROFESSIONAL SERVICES PROGRAMS AND HEALTH PROMOTION CAMPAIGNS HELP PATIENTS TO OPTIMISE THEIR MEDICATION USE AND HAVE MEANINGFUL CONVERSATIONS WITH GENERAL PRACTITIONERS.**

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**THE HEALTH AND SAFETY OF OUR TEAM MEMBERS ARE ESSENTIAL ELEMENTS OF SIGMA'S GOVERNANCE FRAMEWORK.**



**Mr Michael Story**  
CEO PharmaSave

## CHS and DDS

Central Healthcare Services (CHS) and Discount Drug Stores (DDS) are new additions to the Sigma group, with CHS acquired effective May 2014, and DDS from September 2014.

The acquisitions of CHS and DDS bring complementary businesses, with an expectation the first full year of operation within Sigma will deliver over \$400 million in revenue and \$8–\$10 million EBIT.

CHS was established in the mid-1970s and operated as a Victoria only pharmacy distributor and supplier to hospitals until 2011. CHS has since expanded to a larger facility in Dandenong in Victoria, and extended its reach with facilities in New South Wales and Queensland. A new, larger facility is currently under construction in New South Wales, providing further opportunity to grow its distribution business.

*“Significant progress has been made to develop an enhanced hospital supply business. We expect this work to start gaining traction in the next 12 months, providing a platform for growth into the future.”*

Significant progress has been made to develop an enhanced hospital supply business. We expect this work to start gaining traction in the next 12 months, providing a platform for growth into the future.

CHS also owns the PharmaSave and Chemist King brands, providing a highly compliant, low-cost operating model for pharmacies. Combined, PharmaSave and Chemist King add around 100 branded pharmacies to the Sigma group. The transition to Sigma of the distribution services provided to PharmaSave and Chemist King has now been completed.

The addition of DDS brings a further 130 branded pharmacies to Sigma, with DDS operating a strong, compliant pharmacy model that delivers consistency of service and price across the network. The DDS network has a stronger representation in the Queensland market, further complementing the Sigma network. The transition of the DDS distribution services to Sigma was 60% completed at year end, with plans in place to accelerate the balance.



## Multi-Channel

Since its launch in July 2013, Sigma's Multi-Channel strategy supporting the Amcal, Amcal Max and Guardian eCommerce websites has been making consistently strong progress. Whilst the eCommerce solution is in its infancy, it has made giant strides:

- Site traffic growth for 2014/15 is up 75% from the previous year.
- Sales have leapt 532% year on year.
- Average spend online is four times greater than in-store.
- The range of products available through the sites has expanded to 7,000.

Importantly, the sites are more than just transactional, linking into Sigma's structured Professional Services programs, providing consumers with a wealth of information to better manage their health, along with a link to the nearest pharmacy to support the customer.

January 2015 saw the completion of a successful pilot program for Click and Collect. This program provides the opportunity for customers to search and select products online and to collect them from a pharmacy most convenient for them. This program is now set to be rolled out nationally, and provides scope for the introduction of prescriptions online. Whilst online sales in Australia are estimated to be 6% of total retail sales, this is low compared to the United Kingdom experience of 21% of retail sales. Research has shown that 85% of consumers want the choice to buy online or in-store. Therein lies the opportunity.

# Business Update continued

Sigma is committed to ensuring we operate a sustainable business model that services the needs of our stakeholders through the filter of the core values and culture of our organisation.

## Our Team

Providing a safe, healthy and engaging workplace for all team members across our network is a critical plank in our objective of Sigma continuing to be an employer of choice.

## Health and Safety

The health and safety of our team members are essential elements of Sigma's governance framework. Audits are conducted annually adopting Australian Standards AS4801, comprising a systematic and objective review of each element of our Health and Safety Management System (HSMS) through documented evidence, interviews, discussions and observations.

The objectives of the audits include:

- to ensure Sigma's HSMS complies with Australian Standards and state and territory legislation;
- to determine if the HSMS continues to meet business needs and objectives;
- to ensure compliance with policies and procedures;
- to verify new or changed systems, processes and equipment;
- to encourage a systematic approach to business activities; and
- to identify areas of risk and develop plans to address risks and improve safety and performance.

The 2014/15 audit has identified sustained improvement, reaching a national average of 88.30% compliance to Sigma's HSMS, against a baseline of 80% compliance.

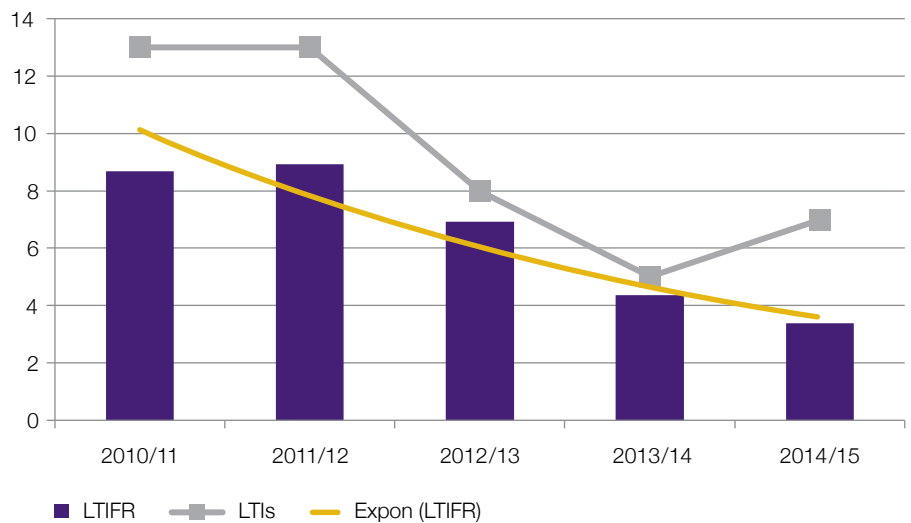
This compares to a compliance level of 72.0% in 2012/13 and 79.58% in 2013/14.

The improved compliance level has flowed through to a continued reduction in the Lost Time Injury Frequency Rate (LTIFR), which has more than halved over the past five years.

## The Sigma Culture



## Lost Time Injury Frequency Rate



## Team Member Climate Survey

Sigma conducts an annual climate survey to identify the level of engagement and commitment of our team members and identify areas of focus for continuous improvement. The overall satisfaction of employees, whilst dipping one percentage point in the current year, has been improving consistently over the past five surveys, reflecting the overall improvements across the business during that period.

Pleasingly, the top 10 performing measures all recorded satisfaction ratings of 80% or more, including:

- good relationships with the people I work with;

- understanding Sigma's core areas of operation;
- a safe working environment;
- respecting my manager; and
- enjoying my physical work environment.

No organisation is perfect, and a good feature of these surveys is identifying areas for development and improvement. A major focus area identified from the survey is to improve open communication within Sigma to share knowledge and improve performance. Steps have already been taken to address this.

# Recognition and Awards

Sigma is proud of its strong history of supporting the communities and environments in which we operate. Sigma adopts a multi-faceted approach that draws on our core strengths, capabilities, business partnerships and vast network. Our corporate approach is backed by our pharmacies that support a number of worthy local causes in their communities.

This will be further enhanced with programs being designed to optimise the strengths of Sigma's extensive network of community pharmacies across Australia. During the year, many programs have been supported, including:

## Summer Foundation

Sigma's support for The Summer Foundation saw over 30 Sigma team members participate in the Upstream Challenge, a 20km and 50km walk, raising \$14,000 from their efforts, and significant awareness for The Summer Foundation.

In addition, in lieu of providing Christmas presents to team members, Sigma donated an additional \$20,000 to The Summer Foundation to help continue its valuable work in supporting young people in nursing homes to build better lives and to communicate their messages to the community and government. Sigma also used our distribution and pharmacy network to promote to the Bendigo community the Digital Story Workshops held in Bendigo.

## Save the Children Australia

The 2014 Sigma Supplier Gala Dinner and Awards held in October saw over 350 Sigma team members, suppliers and guests gather to recognise the importance of our business partnerships in driving sustainable success.

Equally as important, the night resulted in \$30,000 being raised to support the work of Save the Children Australia.

*“As a major healthcare services provider in Australia, it was really satisfying that we not only recognised our wonderful business partners, but we also raised significant funds to contribute to improving the lives of others.” Mark Hooper, Sigma CEO*



# Recognition and Awards continued

## Cancer Council

### Unite in pink for those affected by breast and gynaecological cancers

Amcal and Amcal Max pharmacies have again proudly supported the Cancer Council. Our pharmacy members have united to draw on the strong connection with the community to raise more than \$30,000 through the Pink Ribbon Day.

Amcal and Amcal Max have been supporting Pink Ribbon Day for over 10 years, raising close to \$350,000 to help the Cancer Council lead Australia's cancer control mission by funding research, prevention and support services.

## Guardian Angel

The Guardian Angel program has now been running for 16 years, and draws on the incredible community spirit to support those in need. Through the program, over 100,000 garments were knitted by members of the community during the year and distributed by Save the Children Australia to support children and families in need.



## Shine at Sigma

Sigma's annual team member of the year award provides recognition for excellence to our team members. This year also saw Sigma allocate funds to support the charities of choice of our award winner and runner up, linking to the causes that matter for our team members. This initiative saw the following charities selected for donations by our winner, Kay Bottomer, and runner up Phuc Cheng:

- Make A Wish Foundation
- Oaktree Foundation
- Heartfelt
- Bears of Hope

Pictured above: Kay Bottomer receiving the Shine at Sigma Award for excellent customer service during the acquisition of CHS and DDS.

## Brand Recognition

Sigma aims to continue to be Australia's partner of choice for health, beauty and wellbeing.

Our investment in continually developing and improving our pharmacy offer to deliver the services, products and programs our pharmacists and customers want is being recognised by our customers.

Amcal and Guardian have had sustained success in achieving independent consumer recognition for service excellence. This has seen the following awarded to our brands in the last 12 months:

### Amcal

- Canstar Blue Most Satisfied Customers Award – Pharmacy for 2014.
- International Customer Service Professionals (ICSP) consumer service award for outstanding service. The pharmacy sector overall was also ranked the best industry service provider, making Amcal the best of the best.

### Guardian

- Roy Morgan Research Pharmacy of the Year for 2014. Guardian has now won the Pharmacy of the Year Award three years running.

## Recognising Our Pharmacy Partners

Sigma believes in recognising and celebrating the successes of our pharmacy members and their dedicated teams.

A training and recognition program is run in each state to provide business updates to our members and to acknowledge the pharmacies and pharmacy staff who have excelled. The winners of each state award are then nominated for the national award at our retail pharmacy conference. The 2014 conference was held on the Gold Coast, and saw the following recognition awards presented for exceptional standards and service by our Amcal, Amcal Max and Guardian brands, pharmacists and pharmacy assistants.

Pharmacy Brand	2014 Pharmacy of the Year	2014 Pharmacy Assistant of the Year	2014 Retail Manager of the Year
Amcal	Como Amcal Pharmacy	Kara Leahy	Trudi-Anne Stevens
Amcal Max	Gympie Amcal Max Pharmacy	Sharryn Peacock	Simone Petrovic
Guardian	New Norfolk Guardian Pharmacy	Nicole Lawrence	Samantha Rowles

In addition, Rebecca Giudice from Amcal Inglewood Pharmacy was recognised as the Pharmacy Leader of the Year across all brands for her outstanding leadership and team development.

## Recognising Our Supplier Partners

The 2014 Sigma Supplier Gala Dinner and Awards were held at the Plaza Ballroom in Melbourne on Thursday 30 October. The event was attended by over 350 of our most valued supplier partners who all compete for the coveted Sigma Supplier awards.

The prestigious Sigma Supplier of the Year Award this year went to Novartis Consumer Health Care for its outstanding support of Sigma's retail business along with its open approach to partnership with Sigma through the retail joint business planning process. The awards continue to recognise the critical importance of Sigma developing strong partnerships with suppliers in order to better service our pharmacy customers and their communities.

Sigma's brand ambassadors, Rachael Finch and Dr Cindy Pan, joined the Sigma team members and supplier partners, participating in the charity component of the evening, which raised over \$30,000 for Save the Children Australia.

The evening is not only an opportunity for Sigma to recognise the efforts of our supplier partners, but to also share with the industry our plans for the future through an interactive presentation of Sigma strategy on a large scale, including developments in Multi-Channel, Professional Services and Sigma's 2014 to 2017 strategic imperatives.

## Award winners

- Sigma Supplier of the Year: Novartis Consumer
- Retail Merchandise Supplier of the Year: Novartis Consumer
- Wholesale Supplier of the Year: Abbvie
- Ethical/PBS Supplier of the Year: Novartis Pharma
- Services Supplier of the Year: Kings Transport
- Branded Supplier of the Year: Novartis Pharma
- Generics Supplier of the Year: Aspen
- Specialised Ethical Supplier of the Year: Abbvie
- FMCG Supplier of the Year: PZ Cussons
- Health and Wellbeing Supplier of the Year: Novartis Consumer
- Medicinal Supplier of the Year: Novartis Consumer
- Beauty/Gifting Supplier of the Year: Dowards
- Retail Support Supplier of the Year: Rothfield Print Management
- Professional Services Supplier of the Year: MSD
- Multi-Channel Supplier of the Year: RB (reckitt benckiser)



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**SIGMA PROVIDES A NATION WIDE  
24 HOUR NETWORK SERVICE**

# Our Environment

Sigma is committed to driving improvements in business processes that contribute towards ensuring our operations are sustainable and minimise our environmental impact.

## Packaging

Sigma is the first pharmaceutical wholesaler in Australia to become a signatory to the Australian Packaging Covenant (APC). The APC is a sustainable packaging initiative that aims to change the culture of business to design more sustainable packaging, increase recycling rates and reduce packaging litter.

Although Sigma operates in a highly regulated industry that imposes various restrictions on what can be implemented, as a signatory to this initiative Sigma has committed to:

- provide written reports to the APC in relation to Sigma's environmental footprint and action plans; and
- establish a Steering Committee within the business to research existing business practices, identify opportunities for ongoing improvements and introduce action plans to realise our potential.

Sigma's submission is available on our website [www.sigmaco.com.au](http://www.sigmaco.com.au), or can be viewed at [www.packagingcovenant.org.au](http://www.packagingcovenant.org.au)

## Distribution

As one of Australia's leading wholesale pharmaceutical distributors, Sigma has 15 warehouses around Australia collectively delivering over one million products daily (over 14,000 deliveries every week) to community pharmacies across Australia.

Delivering essential medicines to our customers is core to our business. As such, the key focal points in minimising the environmental impacts from our distribution activities include:

Objective	Actions
Optimise route planning for maximum efficiency and minimal environmental impact.	<ul style="list-style-type: none"> <li>• The majority of the delivery fleet is Euro 5 or Euro 6 standard.</li> <li>• Integrated and live delivery data informs fleet management of route allocation, vehicle size selection and route times to optimise efficiency and reduce environmental impact.</li> </ul>
Minimise wastage of delivery materials.	<ul style="list-style-type: none"> <li>• Polystyrene packaging has been replaced with reusable moulded polyethylene cool boxes, utilising removable eutectic freezer plates to maintain desired temperatures.</li> <li>• Non-refrigerated deliveries utilise reusable and recyclable cardboard boxes that are, on average, cycled through the network five times nationally.</li> </ul>
Protocols in place for the safety of all drivers.	<ul style="list-style-type: none"> <li>• All drivers undergo a two-day induction program and are regularly assessed.</li> <li>• Driver training covers manual handling, customer service, fatigue management, environmental awareness, safe driving, load restraint and hazard identification.</li> <li>• Driver drug and alcohol testing is regularly undertaken.</li> </ul>
Environmental footprint largely offset.	<ul style="list-style-type: none"> <li>• The carbon output of our logistics provider is recorded and analysed by 'Greenfleet', leading to the plantation of native forests to offset the environmental impact.</li> </ul>

## Warehouses

During the year, Sigma conducted a waste management review and tender process that resulted in the appointment of a new waste management supplier effective from March 2014.

In the short time since commencement of the contract and the implementation of the recommendations, significant improvement has already been made. Of particular note, the new contract has resulted in diversion from landfill improving from around 20% of waste (approximately 42 tonnes) to over 62% (approximately 136 tonnes).

Sigma is committed to seeking continual improvement. Further waste management reviews will be conducted in 2015, along with increased signage and additional education for team members.

Ensuring a sustainable operating environment is an important factor in the future of Sigma. A new warehouse distribution centre is currently being designed for our site in Berrinba, Queensland, with environmentally friendly cues embedded in the design stage.

# Board of Directors



**Mr Brian Jamieson (Chairman)**

FCA, MAICD, Non-Executive  
Chairman and Director

Mr Jamieson was appointed a Director of Sigma Company Limited in May 2003, a Director of Sigma Pharmaceuticals Limited in December 2005 and Chairman of Sigma Pharmaceuticals Limited in June 2010. He is also Chairman of Mesoblast Limited, a Director of Oz Minerals Limited, Tatts Group Limited and the Bionics Institute. He is a former Managing Partner of Minter Ellison Lawyers Melbourne, former Chief Executive of KPMG Australia and former Director of Bank of Western Australia Limited, CareAustralia, HBOS Australia Limited and Tigers Realm Coal Limited. Mr Jamieson has over 30 years' experience in providing advice and audit services to a diverse range of public and large private companies. He has not held any directorships of listed entities in addition to those set out above during the last three years.



**Mr Mark Hooper  
(CEO and Managing Director)**

BBus (Acc), CPA, FFTP, MAICD,  
Executive Director

Mr Hooper was appointed Managing Director of Sigma Pharmaceuticals Limited in August 2010. He has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 he was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mr Hooper was Chief Financial Officer of Sigma from 2001 to 2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.



**Mr David Bayes**

FAICD, Non-Executive Director

Mr Bayes is Chairman of the Remuneration and Nomination Committee and a Member of the Risk Management and Audit Committee. He was appointed a Director of Sigma in June 2007. Mr Bayes has held a variety of board and executive positions including former Chief Executive Officer of Choice Hotels Australasia, Chief Operating Officer of Mortgage Choice, Chief Executive Officer and Director of Bakers Delight, former Non-Executive Director of Chiquita Brands South Pacific Ltd, former Non-Executive Director of North Western Healthcare Network and former Director of McDonald's Australia. Mr Bayes is a Non-Executive Director of the Australian Institute of Company Directors (AICD) and President of the Victoria Council AICD. Mr Bayes has over 30 years' experience in multi-outlet retail business. Mr Bayes has not held any directorships of listed entities in addition to those set out above during the last three years.



**Ms Linda Nicholls AO**

BA (Econ), MBA, FAICD,  
Non-Executive Director

Ms Nicholls is Chairman of the Risk Management and Audit Committee. She was appointed a Director of Sigma Company Limited in April 1997 and of Sigma Pharmaceuticals Limited in December 2005. Ms Nicholls is Chairman of KDR VIC (Yarra Trams) and Japara Healthcare Limited. She is a Non-Executive Director of Pacific Brands Group, Fairfax Media Limited and Medibank Private Limited. She is a former Chairman of Healthscope Limited and Australia Post Corporation. She is a former Director of St George Bank, Insurance Manufacturers of Australia, Low Carbon Australia Limited, Harvard Business School Alumni Board and the Walter and Eliza Hall Institute of Biomedical Science. Ms Nicholls has over 30 years' experience in banking and finance in Australia, the United States and New Zealand. Ms Nicholls has not held any directorships of listed entities in addition to those set out above during the last three years.



**Mr David G Manuel**

BPharm, MPS, MAICD,  
Non-Executive Director

Mr Manuel is a Member of the Remuneration and Nomination Committee. He was appointed a Director of Sigma Pharmaceuticals Limited in October 2009. Mr Manuel is a community pharmacist and an active participant in industry affairs with a special interest in cognitive services such as opiate dependency treatments, compounding, and aged care pharmacy services. Mr Manuel is a Director of Panorama Health Network Ltd. He is the current Western Australian representative on the Amcal Members Advisory Committee (MAC). He is a current Branch Committee Member of The Pharmacy Guild of Australia (WA Branch). Mr Manuel has not held a directorship of any other listed entity during the last three years.



**Mr Raymond M Gunston**

B.Comm (Hons), DipEd, CPA, FTA,  
AICD, Non-Executive Director

Mr Gunston is a Member of the Risk Management and Audit Committee and the Remuneration and Nomination Committee. He was appointed a Director of Sigma Pharmaceuticals Limited in July 2010. Mr Gunston is a Non-Executive Director of Hotel Property Investments Limited. He has over 30 years of extensive corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions and accounting. He is a former Chief Financial Officer of Tatts Group Limited and a former Director of many of the Tatts Group's subsidiary and associate companies, and completed the role of interim CEO for the Essendon AFL Football Club. Mr Gunston has not held any directorships of listed entities in addition to those set out above during the last three years.

# Senior Management



**Mr Jeff Sells**  
Chief Financial Officer

Mr Sells rejoined Sigma in August 2010 having previously worked for Sigma as Group Treasurer from 2002 to 2004. Prior to rejoining Sigma, he was Chief Financial Officer of Citadel Resources Group Ltd from 2008 and before that spent four years as Chief Financial Officer for Oxiana Limited.



**Mr Gary Dunne**  
Chief Operating Officer

Mr Dunne commenced with Sigma in July 2011. Prior to Sigma, he was involved in restructuring roles including Managing Director and Acting CEO for retail groups Redgroup and Clive Peeters. Mr Dunne has held a number of key management positions including General Manager of Supercenters and Strategy within the Coles Group and played an integral role in establishing ALDI in Australia as its first Regional Managing Director. Prior to this, he spent 17 years with Woolworths in a variety of senior management roles. He has a Bachelor of Business from Monash University and a Master of Enterprise from Melbourne University.



**Ms Sue Morgan**  
General Counsel and Company Secretary

Ms Morgan commenced with Sigma in 2007 as Corporate Lawyer and moved into the role of General Counsel in early 2008. She was appointed Company Secretary in August 2009 in addition to her General Counsel role. Prior to commencing with Sigma, Ms Morgan spent eight years with HGR Lawyers.



**Mrs Jackie Pearson**  
General Manager Human Resources

Mrs Pearson commenced with Sigma in August 2005. Prior to joining Sigma, she provided human resources advice to a variety of organisations within the private, public and government sectors. Mrs Pearson is responsible for Sigma's human resources activities including Occupational Health and Safety.



**Mr Richard Harris**  
General Manager Systems and Information Technology

Mr Harris commenced with Sigma in early 2011 and was appointed to his current role in December 2011. Prior to joining Sigma, he was a principal consultant with the firm SMS Management and Technology and has held senior technical positions with Fujitsu in Australia and Japan, and Ericsson Australia. Mr Harris is responsible for Sigma's business systems, IT infrastructure and information analytics.

**Mr Scott Jones**

General Manager  
Merchandise and  
Marketing

Mr Jones commenced with Sigma in October 2010. He has over 20 years' experience in brand marketing, merchandise and retail development. Mr Jones has held management positions at The Decor Corporation, Mitre 10 and more recently senior management responsibilities at Symbion Pharmacy Services.

**Mr Alan O'Hara**

General Manager  
Supply Chain and  
Transformation

Mr O'Hara was appointed to the position of General Manager Supply Chain and Transformation in March 2012. He is responsible for sales and operations planning, regulatory compliance, pricing and promotions activity and customer service. Mr O'Hara was previously the General Manager of Supply Chain and Operations at Menora Foods and has held senior logistics and supply chain roles at Henkel Australia, Carter Holt Harvey and Mistral International.

**Mr Richard Church**

General Manager  
Logistics

Mr Church commenced as the General Manager Logistics in November 2012 and is responsible for the service and supply of Sigma products to customers. Prior to joining Sigma, Mr Church held a variety of senior logistics, transformation and supply chain roles at Coles supermarkets over a period of seven years. Previously Mr Church was with Sainsbury's in the United Kingdom for over 18 years in retail operational and senior logistics roles. Mr Church is a Fellow of the Chartered Institute of Logistics and Transport Australia.

**Ms Claire Pallot**

General Manager  
Multi-Channel

Ms Pallot commenced with Sigma as the General Manager of Multi-Channel in July 2012. Ms Pallot is responsible for establishing and driving a Multi-Channel retail strategy and practice for Sigma brands. Prior to joining Sigma, Ms Pallot was the Marketing Leader of Mercer for Australia and New Zealand. Ms Pallot's previous positions include Group Marketing Manager, PMP Limited and Group Account Strategy Director Rosetta, based in the United States.

**Mr Vincent Gualtieri**

General Manager  
Sales

Mr Gualtieri commenced with Sigma in 1996. He managed wholesale sales in Victoria and Tasmania for Sigma, as well as both Generic and over-the-counter portfolios at state level before moving into the National Sales Manager role seven years ago. Prior to joining Sigma, Mr Gualtieri held the roles of Sales Manager and Administration Manager at Myer.

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# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 January 2015

	Notes	2015 \$'000	2014 \$'000
<b>Sales revenue</b>	4	<b>3,142,126</b>	2,973,466
Cost of goods sold		<b>(2,907,282)</b>	(2,756,581)
Gross profit		<b>234,844</b>	216,885
Other revenue and income	4	<b>52,369</b>	51,689
Warehousing and delivery expenses		<b>(111,734)</b>	(102,267)
Sales and marketing expenses		<b>(45,931)</b>	(48,197)
Administration expenses		<b>(43,628)</b>	(37,176)
Net litigation settlement expense	28	-	(3,677)
Acquisition expenses	24(b)	<b>(307)</b>	(662)
Depreciation and amortisation	5	<b>(7,558)</b>	(6,280)
<b>Profit before financing costs (EBIT)</b>		<b>78,055</b>	70,315
Financial income	6	<b>1,519</b>	2,449
Financial expense	6	<b>(3,978)</b>	(4,431)
<b>Net financing expense</b>	6	<b>(2,459)</b>	(1,982)
Share of profit/(loss) of equity accounted investees, net of tax	26	<b>(6)</b>	-
<b>Profit before income tax</b>		<b>75,590</b>	68,333
Income tax expense	7	<b>(22,818)</b>	(14,797)
<b>Profit for the year</b>		<b>52,772</b>	53,536
<b>Other comprehensive income/(loss)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Changes in the fair value of cash flow hedges	19	-	(933)
Exchange differences on translation of foreign operations	19	<b>83</b>	342
Income tax relating to components of other comprehensive income	19	<b>(25)</b>	177
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>58</b>	(414)
<b>Total comprehensive income for the year</b>		<b>52,830</b>	53,122
<b>Profit attributable to:</b>			
Owners of the Company		<b>52,773</b>	53,536
Non-controlling interest		<b>(1)</b>	-
<b>Profit for the year</b>		<b>52,772</b>	53,536
<b>Earnings per share (EPS) for profit attributable to the ordinary equity holders of the company:</b>	<b>Notes</b>	<b>Cents</b>	<b>Cents</b>
Basic EPS	9	<b>5.1</b>	4.9
Diluted EPS	9	<b>4.8</b>	4.8

The above consolidated statement of profit or loss and other 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 2015

	Notes	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	33(a)	34,284	67,468
Trade and other receivables	10	589,957	557,401
Income tax receivable		-	5,133
Inventories	11	251,385	222,392
Derivatives		-	18
Prepayments		4,246	3,586
<b>Total current assets</b>		<b>879,872</b>	855,998
<b>Non-current assets</b>			
Trade and other receivables	10	4,738	6,605
Property, plant and equipment	12	57,716	52,887
Goodwill and other intangible assets	13	98,261	22,553
Investments accounted for using the equity method	26	7,934	-
Net deferred tax assets	14	7,142	7,126
<b>Total non-current assets</b>		<b>175,791</b>	89,171
<b>Total assets</b>		<b>1,055,663</b>	945,169
<b>Current liabilities</b>			
Trade and other payables	15	450,633	353,064
Borrowings	16	291	-
Income tax payable		12,682	-
Provisions	17	13,592	11,042
Deferred income		1,122	252
<b>Total current liabilities</b>		<b>478,320</b>	364,358
<b>Non-current liabilities</b>			
Borrowings	16	339	-
Provisions	17	3,560	1,794
Deferred income		443	188
<b>Total non-current liabilities</b>		<b>4,342</b>	1,982
<b>Total liabilities</b>		<b>482,662</b>	366,340
<b>Net assets</b>			
Equity			
Contributed equity	18	1,255,466	1,294,414
Reserves	19	20,386	17,537
Accumulated losses		(702,850)	(733,122)
Non-controlling interest	25	(1)	-
<b>Total equity</b>		<b>573,001</b>	578,829

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

# Five Year Summary

	2011 <sup>1</sup> (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)	2015 (\$m)
<b>Operating results</b>					
Sales revenue	3,339.6	2,853.9	2,942.4	2,973.5	<b>3,142.1</b>
EBITDA/(LBITDA)	(111.3)	74.7	28.8	76.6	<b>85.6</b>
EBIT/(LBIT)	(159.0)	69.2	23.1	70.3	<b>78.0</b>
Profit/(loss) before tax	(237.7)	70.8	24.9	68.3	<b>75.6</b>
Profit/(loss) after tax	(235.4)	49.2	18.7	53.5	<b>52.8</b>
<b>Financial position</b>					
Working capital	615.2	495.1	436.1	416.8	<b>455.6</b>
Fixed assets (incl intangibles)	67.6	83.2	87.8	75.4	<b>156.0</b>
Other assets and liabilities	(52.0)	(9.4)	4.2	19.1	<b>(72.2)</b>
Capital employed	630.8	568.9	528.1	511.3	<b>539.4</b>
Net debt/(net cash)	(202.1)	(113.6)	(82.7)	(67.5)	<b>(33.7)</b>
Net assets	832.9	682.5	610.8	578.8	<b>573.0</b>
<b>Shareholder related</b>					
Dividend					
– ordinary per share	-	3.5c	4.0c	4.0c	<b>2.0c</b>
– special per share	15.0c	1.5c	-	-	<b>1.0c</b>
– total dividends (\$m)	176.8	58.9	47.0	44.9	<b>32.8</b>
Earnings/(Loss) per share	(20.2c)	4.2c	1.6c	4.9c	<b>5.1c</b>
Dividend payout ratio	N/A	120%	251%	84%	<b>62%</b>
Net tangible asset backing per share	69c	57c	51c	50c	<b>43c</b>
Market capitalisation (year-end) (\$m)	524	707	773	672	<b>-</b>
<b>Ratios and returns</b>					
EBIT margin <sup>2</sup>	-4.8%	2.4%	0.8%	2.4%	<b>2.5%</b>
Gearing <sup>3</sup>	N/A	N/A	N/A	N/A	<b>N/A</b>
Interest cover <sup>4,5</sup>	(1.4x)	N/A	N/A	38.7x	<b>34.8x</b>

1. Includes the Pharmacy Division results. This business was sold to Aspen in 2011.

2. EBIT/Sales Revenue.

3. Net Debt/Capital Employed (year end). The Group had cash and cash equivalents over and above total debt.

4. Reported EBITDA/Net Financing Costs (times).

5. As at 31 January 2012 and 31 January 2013, the Group had positive Net financing income.

# Contacts

## Company Details

### Sigma Pharmaceuticals Limited

Registered Office  
3 Myer Place  
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## Corporate Head Office

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## Directors and Senior Management

Refer to page 22 of this review or visit  
[www.sigmaco.com.au](http://www.sigmaco.com.au)

## Company Secretary

Sue Morgan  
3 Myer Place  
Rowville VIC 3178 Australia

## 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](mailto:registrars@linkmarketservices.com.au)  
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## Healthcare Offices

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## CHS Offices

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Seven Hills NSW 2147 Australia  
Tel +61 (0)2 9435 0616

14 Access Avenue  
Yatala QLD 4207 Australia  
Tel +61 (0)7 3330 2401

## Pharmasave Offices

280 City Road  
Southbank VIC 3006 Australia  
Tel +61 (0)3 9981 1200

## Discount Drug Stores Offices

Level 1, 36 Sherwood Road  
Toowong QLD 4066 Australia  
Tel +61 (0)7 3720 5500

## Recent Dividends

Dividend	Date Paid	Cents Per Share
2015 Special	16 April 2015	1.00
2015 Final	16 April 2015	2.00
2015 Interim	-	-#
2014 Final	30 April 2014	2.00
2014 Interim	23 Oct 2013	2.00
2013 Final	19 Apr 2013	2.00
2013 Interim	16 Oct 2012	2.00
2013 Special	27 Apr 2012	1.50
2012 Final	27 Apr 2012	2.00
2012 Interim	30 Nov 2011	1.50
2012 Special	11 May 2011	15.0

# Due to insufficient franking credits, no 2015 interim dividend was paid.

## Shareholder Calendar\*

2014/15 Annual General Meeting	6 May 2015
Half-year results	10 September 2015
Record date	21 September 2015
Ex-dividend	23 September 2015
Dividend payment date	5 October 2015
Full-year results	16 March 2016
Record date	28 March 2016
Ex-dividend	30 March 2016
Final dividend payment	14 April 2016
2015/16 Annual General Meeting	4 May 2016

\* Dates may be subject to change.

**For investor, media or government enquiries in relation to Sigma or this report, contact**

### Gary Woodford

Corporate Affairs Manager  
Email [investor.relations@signet.com.au](mailto:investor.relations@signet.com.au)  
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**Sigma Pharmaceuticals Limited**

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**STRONG HERITAGE  
HEALTHY HORIZONS**

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ANNUAL REPORT 2014/15

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# Directors' Report

The Directors' Report of Sigma Pharmaceuticals Limited (the 'Company') and its controlled entities (the 'Group') for the financial year ended 31 January 2015.

## 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	634,601	-
Mr M Hooper	3,160,459	23,420,666
Mr D Bayes	252,808	-
Mr R Gunston	139,962	-
Mr D Manuel	157,009	-
Ms L Nicholls, AO	561,123	-

## 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 member of a Committee).

Total Board meetings held during the year includes nine monthly scheduled meetings and two ad-hoc meetings.

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

Remuneration and Nominations Committee Members = Mr D Bayes, Mr D Manuel and Mr R Gunston.

Directors	Board of Directors' Meetings (Monthly Scheduled)		Board of Directors' Meetings (Unscheduled)		Risk Management and Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
	Number Held During the Term	Number Attended	Number Held During the Term	Number Attended	Number Held During the Term	Number Attended (Members Only)	Number Held During the Term	Number Attended (Members Only)
Mr B Jamieson	9	9	2	2	-	-	-	-
Mr M Hooper	9	9	2	2	-	-	-	-
Ms L Nicholls, AO	9	8	2	2	5	4	-	-
Mr D Bayes	9	9	2	2	5	5	6	6
Mr D Manuel	9	9	2	1	-	-	6	6
Mr R Gunston	9	9	2	2	5	5	6	6

## Operating and Financial Review

### Operations

The Group is the largest full line pharmaceutical wholesale and distribution business in Australia, delivering daily to pharmacies Australia wide. The Group has Australia's largest pharmacy-led network, including over 700 retail brand members representing the brands Amcal, Amcal Max, Guardian, PharmaSave, Chemist King and Discount Drugstores (DDS). The Group also manages and promotes a range of over-the-counter Private and Exclusive Label products made available to brand member customers, as well as a generic range of Private Label products under the Pharmacy Care range. In addition, the Group, through its subsidiary Central Healthcare Services (CHS), has a small presence in the hospital pharmaceutical distribution market.

The only reporting operating segment for the Group is the traditional full line pharmacy wholesale distribution business, retail and Private Label products.

### Financial Performance

The consolidated profit attributable to shareholders was \$52,773,000 compared to \$53,536,000 for the prior year. The reported profit for both years was impacted by a number of significant one-off items. The underlying profit before financing costs and tax (EBIT) and profit after income tax (NPAT) is reconciled as follows:

	2015 \$'000	2014 \$'000
<b>Reported EBIT</b>	<b>78,049</b>	70,315
Add back		
Net litigation settlement expense	0	3,677
Acquisition expenses	307	662
Harrison's provision for doubtful debts	0	7,434
Profit on sale of Clayton land and building	0	(10,928)
<b>Underlying EBIT</b>	<b>78,356</b>	71,160
<b>Reported NPAT</b>	<b>52,773</b>	53,536
Add back		
Net litigation settlement expense <sup>1</sup>	0	2,574
Acquisition expenses	307	662
Harrison's provision for doubtful debts <sup>1</sup>	0	5,204
Profit on sale of Clayton land and building	0	(10,928)
<b>Underlying NPAT</b>	<b>53,080</b>	51,048

1. Figures are post tax.

The Group believes the reconciliation of Reported to Underlying EBIT and NPAT is useful as it removes the impact of significant revenue and expense items that are unrelated to the underlying performance of the business, particularly in the prior year. This facilitates a more representative comparison of the ongoing financial performance of the Group's business between the financial periods.

Sales revenue for the financial year of \$3,142,126,000 was up 5.7% from the prior year, reflecting:

- an increase of 5.3% in volumes delivered from Sigma warehouses during the year;
- the inclusion of the CHS business since May 2014, including the progressive migration to Sigma of the PharmaSave and Chemist King wholesale business;
- the addition of the DDS business from September 2014, including the progressive migration of the DDS wholesale business to Sigma; and
- the continued growth in sales of Private and Exclusive Label products.

To help offset the impact of reduced prices flowing from the Pharmaceutical Benefits Scheme (PBS) price reform for certain pharmaceutical products, the Group continued a targeted program focused on broadening the revenue base, achieving operational efficiencies as well as reducing customer discounts during the year.

Gross profit for the year increased 8.3% to reach \$234,844,000, with the operating margin improving to 7.5% (from 7.3% the prior year). Improvements were achieved from a combination of increased volumes and a shift in the revenue mix resulting from the growth in Private and Exclusive Label products and the inclusion of CHS and DDS.

# Directors' Report continued

## Financial Performance continued

Other revenue for the year increased 1.3% to \$52,369,000 from \$51,689,000 in the prior year. The inclusion of CHS and DDS along with an enhanced merchandising and marketing performance on behalf of the Group's retail brand members were the major contributors to improved revenue during the year. These improvements have more than offset the prior year inclusion of the one-off net profit of \$10,928,000 derived from the sale of the Clayton land and building in other revenue.

Warehousing and delivery expenses of \$111,734,000 were up 9.3% from \$102,267,000 in the prior year, largely reflecting the inclusion of CHS and DDS. Excluding CHS and DDS, warehousing and delivery costs were up 3.5%. This increase was achieved notwithstanding volumes delivered grew by 5.3%. The continued focus on achieving ongoing efficiency gains was a major contributor in offsetting the impacts of costs relating to volume growth, the impact of Enterprise Bargaining Agreements (EBA) and increases in utility costs. Whilst the containment of warehousing and delivery costs will remain of significant importance, investment in the Group's major distribution sites is required in order to achieve a step change in productivity to offset future increases in volume and costs. Planning work is well progressed, with land acquired in Queensland and CHS currently building a new distribution centre in Sydney.

Sales and marketing expenses for the year reduced by 4.7% to \$45,931,000. Excluding the one-off debt provision of \$7,434,000 in the prior year from the collapse of the Harrison's pharmacy group, sales and marketing expenses were up 12.7% on the prior year. This increase is largely the result of the inclusion of sales and marketing expenses incurred in the CHS, PharmaSave and DDS businesses that were not part of the Group in the prior year. Apart from this, costs were lower during the year due to savings in pilot store projects and staffing.

Administration costs for the year were up by 17.4% to \$43,628,000. The increase has largely resulted from the inclusion of administration costs associated with the running of the CHS and DDS businesses that were acquired during the year. In addition, the prior year benefitted from the amortisation of a hedge reserve not repeated in the current year.

Net interest expense reached \$2,459,000 for the year compared to \$1,982,000 in the prior year. The movement in net interest reflects the lower average net cash held throughout the current year as a result of the acquisitions made and the increased utilisation of cash through the on-market share buy-back program, partially offset by the general lower interest rate environment.

Income tax expense of \$22,818,000 was up from \$14,797,000 the prior year. The increase reflects tax payable on improved profitability for the year from the existing business operations and the inclusion of CHS and DDS. In addition, the prior year tax expense benefitted from the ability to utilise \$4,477,000 of capital losses to offset the gain on sale of the Clayton land and building.

## Financial Position

The Group's net assets decreased by 1.0% to \$573,001,000 from \$578,829,000. The reduction largely reflects the on-market share buy-back program during the year.

The Company's on-market share buy-back program has been in operation since October 2012, and has resulted in 8.3% of the issued capital of the Company being purchased and cancelled. Since October 2012, the Company has bought back 97,951,129 shares at a total cost of \$70,467,624, with a weighted average cost per share of 71.94 cents per share. The total amount bought back includes 31,601,852 purchased in the 2015 financial year at a cost of \$23,388,946 at a weighted average cost of 74.01 cents per share.

The Group had net cash of \$33,654,000 at 31 January 2015, including debt of \$630,000 that was consolidated as part of the acquisition of CHS and Member Benefits Australia Pty Ltd (MBA). During the year the Company refinanced its debt facilities with its bankers under terms and conditions similar to the previous Waratah Receivables Securitisation program, however with a greater flexibility to manage the funding requirements of the Group's monthly working capital cycle.

The funding of the acquisitions of CHS and DDS, and the on market share buy-back program, primarily came from ongoing operating cash flow performance and sale proceeds received during the year from the sale of Clayton property in the prior year. The Cash Conversion Cycle, being the net of Day Sales Outstanding, Days Inventory on Hand and Days Payable Outstanding, increased marginally from 50 days last year to 51 days this year. This includes the consolidation of CHS and DDS. A continued focus on reducing average customer payment terms and maintaining an acceptable spread of Payables to Inventory days outstanding has been maintained during the year. A summary of the working capital performance and Cash Conversion Cycle is as follows:

	2015 \$'000	2014 \$'000
Trade receivable	578,115	521,932
Inventories	251,385	222,392
Trade creditors	(373,883)	(327,491)
<b>Working Capital</b>	<b>455,617</b>	416,833

	2015	2014
Days Sales Outstanding	66	64
Days Inventory Outstanding	31	30
Days Payables Outstanding	46	44
<b>Cash Conversion Cycle days</b>	<b>51</b>	<b>50</b>

The Group achieved an underlying Return on Invested Capital (ROIC) for the current year of 14.5%, down marginally on the 14.6% achieved for the prior year. This is primarily due to the impact of the acquisition payments for CHS and DDS being made part way through the year, and the full year run rate of earnings not yet being reflected in this year's results. Importantly, this ROIC has been achieved off a broader earnings base. A continued focus on working capital will be maintained, with some further improvements expected, albeit at a slower rate of improvement to prior years.

### Likely Developments and Expected Results of Operations

The Group's vision is to be Australia's 'partner of choice for health, beauty and wellbeing'. The Group's strategy is focused on strengthening our pharmacy network, building wholesale and distribution partnerships and capability, and continuously pursuing innovations to stay ahead of industry changes. The Group's strategy involves reinvesting in the business to drive:

- improved operational efficiencies through investment in infrastructure, technology and human capital;
- an expanded product and service offering to consumers, leading to a decrease in dependency on PBS-listed medicines; and
- partnerships with suppliers to improve cost effectiveness through the supply chain.

The next few years will see the Group undertake a capital expenditure program of upgrading key distribution centres to drive further operational efficiencies and improve service delivery. Construction work has already commenced on a new distribution centre for CHS in Sydney. Land has been acquired during the year to develop a new Brisbane distribution centre for Sigma, with construction anticipated to commence during the 2016 financial year. Work is also underway in identifying operational needs in Sydney, with a view to securing an appropriate site in Sydney during the 2016 financial year.

The Federal Government's PBS price disclosure reform is now entrenched as an ongoing Government policy that is likely to continue to influence PBS pricing into the future. The Group's strategy is to target investment in the business, continue emphasis on tightening customer trading terms and continue efficiency gains in warehouse and logistics costs.

It is also likely that the Sixth Community Pharmacy Agreement (6CPA) will be negotiated and finalised between the Pharmacy Guild and the Federal Government prior to the current 5CPA agreement expiring in June 2015. This next 6CPA agreement is critical in cementing the industry framework and funding model that will apply for the term of the next agreement.

### Material Risks

Identifying and managing risk that may affect the success of the Group's strategies and financial prospects into the future is a key part of the Group's governance framework. Regular risk review meetings are held with both the senior management team, and the Risk Management and Audit Committee of the Board to ensure risk treatment plans are actioned and refreshed. The Group remains committed to continuous improvement in its approach to managing risks and to ensure a strong, integrated risk and compliance culture is maintained.

Set out below is a description of the potential material risks associated with the Group's business. It does not purport to list every risk that may be associated with the Group's business now or in the future and there is no guarantee or assurance that the importance of these risks will not change or other risks emerge.

### Regulatory reforms or legislative changes

The healthcare industry generally including pharmaceutical distribution is subject to significant regulation and the risk of legislative and regulatory change. Legislative change is a matter for parliamentary approval, whereas regulatory reforms are generally controlled through the relevant government minister.

The reform introduced by the Federal Government to the PBS has had the impact of lowering the prices paid for medicines which have been genericised and thereby lowering the distribution margin earned by the Group. The Group has no control over these price adjustments and to date has offset the impact of lower distribution margin by reducing operating costs and customer discounts. These changes are likely to continue into the future and the Group is focussed on adjusting the business as outlined in the future development section of the Directors' Report.

As outlined above, the 6CPA is likely to be negotiated between the government and the Pharmacy Guild prior to June 2015. Whilst the Group is not a signatory to this agreement, the terms of the agreement are critical in establishing the funding framework for the industry and therefore the Group. The Group continues to monitor the process and contribute to the agreement negotiation parameters with the objective of ensuring adequate remuneration for the services provided.

# Directors' Report continued

## Material Risks continued

In addition, the Company is a signatory to the Community Service Obligation deed (CSO), which governs the basis under which the Group distributes medicines around Australia, in return for access to a pool of funding that subsidises the distribution of pharmaceuticals to rural and remote parts of Australia. Failure to meet the obligations under this deed or other state-based legislation results in fines or loss of licence to distribute pharmaceuticals. The Group reports and reviews its compliance to regulations to ensure all obligations are met. The Group's operations are also subject to separate external audit by the CSO Agency. The CSO agreement is also due for renewal from June 2015 as part of the 6CPA. Should adequate funding not be available under the CSO agreement, the Group may need to reconsider its business model and determine whether being a signatory to the CSO continues to be commercially viable, or if an alternative business model provides improved outcomes.

## Competitive landscape changes

The Group is one of the three full line pharmaceutical wholesalers in Australia, and is subject to significant competition. There is also the possibility of competition for wholesale services via suppliers choosing to bypass the existing wholesale network. This occurred when Pfizer made the choice to distribute exclusively to pharmacies directly in 2011. To date, no other supplier has made a similar choice. The Group has continued to focus on its supplier relationships and maintains a regular engagement program with all key suppliers.

## Loss of material customer or customer default

As disclosed in Note 3 of the financial statements, one customer group currently represents 37% of the Group's total sales revenue. The trading terms of this customer group are subject to a multi-year supply agreement that is due for renegotiation. The loss of this customer would have a material short-term impact on the Group's business in terms of loss of revenue and potentially requiring a restructuring of operations. Partially offsetting this impact would be a significant repayment of a trade receivable in the short term.

The Federal Government PBS price disclosure reforms referred to above have equally impacted on the profitability of pharmacies over recent years. The Group maintains unsecured trade credit balances with pharmacy customers who can be subject to loss if a customer enters financial difficulty and defaults on payments. In certain circumstances, the Group is entitled to claim retention of title to inventory in a pharmacy, but this is not always possible and does not always cover all amounts owed by a customer. The Group maintains rigorous credit policies and procedures and reviews credit exposures regularly.

## Environmental Regulations

The Group is not licensed or otherwise subject to conditions for the purposes of environmental legislation or regulation.

## Events Subsequent to the Reporting Date

No other matter or circumstance has arisen since 31 January 2015 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

As highlighted to shareholders in the 2014 Directors' Report, insufficient franking credits resulted in the decision to not pay an interim dividend during the 2015 financial year.

Since the end of the financial year and with franking credits now available, the Board of Directors has resolved to pay a final dividend of 2.0 cents per share and a special dividend of 1.0 cent per share, both fully franked, to be paid on 16 April 2015 to shareholders on the register at the ex-dividend date of 31 March 2015. The total amount payable is \$32,803,000.

## 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) and Jeff Sells and Sue Morgan (Officers) for legal costs in complying with ASIC Notices. The amount paid by the Company was \$108,397.

## 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 Chairman of 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 2015. 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:

	2015 \$
<b>Other services</b>	
Other advisory services	401,002
<b>Total remuneration</b>	<b>401,002</b>

## 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 28.

## 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.

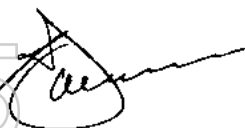
## Directors' and Executive Officers' Remuneration Policy

Details of the Group's Remuneration Policy in respect of the Directors and Senior Managers are included in the Remuneration Report on pages 8 to 27. 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  
18 March 2015

# Remuneration Report 2014/15

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# Introduction

Dear Shareholder,

On behalf of the Remuneration and Nomination Committee, I am pleased to present Sigma's 2014/15 Remuneration Report (Report).

As discussed in the Annual Review, a successful 2014 has seen Sigma announce the acquisitions of Central Healthcare Services (CHS) (including the PharmaSave and Chemist King pharmacy brands) and Discount Drugstores (DDS). In addition, Sigma has extended the supply and services agreement with Pharmacy Alliance for a further 10 years during the year. Combined with the Amcal and Guardian brands, this provides Sigma with an unparalleled retail network, cementing our position as the leader in the Australian pharmacy market.

Sigma's financial performance during the current year was in line with our expectations. Against a backdrop of flat PBS, this is a strong performance that reflects an increase in volumes distributed, a continued focus on costs and the early returns from our reinvestment program.

Consistent with our commitment to ensuring remuneration is linked to Company performance, this year's actual incentive payments to our Executives represent an increase from the previous financial year when Company performance was below our expectations. An overview of the key remuneration outcomes for the financial year is as follows:

- 
- Based on the achievement of pre-defined performance targets, the CEO/Managing Director earned 80% and the other Executives earned on average 78% of their maximum Short Term Incentive (STI) payment (set out on page 18).
  - After testing the vesting conditions, 100% of the 2012 Long Term Incentive (LTI) vested on 31 January 2015 (set out on page 19).
  - Due to below expectation financial performance in the prior financial year, no increases to fixed remuneration were awarded to the CEO/Managing Director and other Executives during 2014.
  - Due to below expectation financial performance in the prior financial year, Non-Executive Director base fees and committee fees were also not increased during 2014.
- 

In line with the ASX Corporate Governance Principles and Recommendations, we have continued our Board review activities this year to ensure the Board is operating effectively. A key focus of the review was to ensure the Board contains the skills and experience required to govern the Company as we move into the next chapter of our strategic journey. In addition, Non-Executive Director independence was assessed during the year. Further details regarding this assessment are set out in the Corporate Governance Statement published on the Company website.

The Remuneration and Nomination Committee will continue to monitor the Company's remuneration strategy, ensuring its alignment to shareholder interests and effectiveness in motivating and rewarding our team.

**David Bayes**

Chairman – Remuneration and Nomination Committee

# Remuneration Report

The Directors of Sigma Pharmaceuticals Limited (Company) are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 31 January 2015 (financial year). This Report has been prepared and audited in accordance with the requirements 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 Group, and include all Non-Executive Directors of the Company 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, AO	Non-Executive Director

## Executives

Mr M Hooper	CEO/Managing Director
Mr G Dunne	Chief Operating Officer
Mr J Sells	Chief Financial Officer

The above Non-Executive Directors and Executives were the KMP for the whole of the financial year.

## Remuneration Governance

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

The Committee is governed by its Charter which is published on the Company's website at [www.sigmaco.com.au](http://www.sigmaco.com.au). The Committee is comprised of a minimum of three Non-Executive Directors. For the financial year the Committee members were:

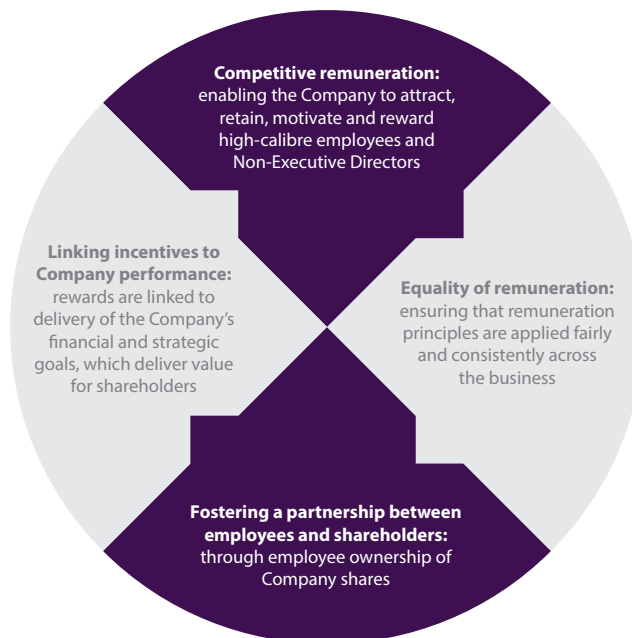
Name	Role
Mr D Bayes	Chairman
Mr R Gunston	Member
Mr D Manuel	Member

In accordance with section 206K of the *Corporations Act 2001*, the Committee has a 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.

No consultants were engaged with respect to providing remuneration recommendations for the Non-Executive Directors and Executives during the financial year.

## 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. The remuneration strategy is underpinned by four principles:



## Non-Executive Director Remuneration

Remuneration for the Company's Non-Executive Directors reflects 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 the current maximum aggregate fee limit of \$1.25 million, as approved by shareholders at the Company's 2012 Annual General Meeting. No change to this amount was sought by the Board during the financial year.

There were no increases to Non-Executive Director base fees and Committee fees during the financial year. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were \$999,824, as set out in Table 1 on pages 20 to 21.

The remuneration of Non-Executive Directors is not incentive based and Non-Executive Directors do not participate in employee share plans or 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 rules of 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 cannot be transferred or sold until the Non-Executive Director ceases being a Director of the Company, or the first day of the financial year following the third anniversary of the purchase date or a change of control of the Company, whichever occurs first.

# Remuneration Report continued

## Non-Executive Director Remuneration continued

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 Structure*	
	2014/15 \$	2013/14 \$
Chairman	<b>286,624</b>	286,624
Non-Executive Director	<b>108,160</b>	108,160
Risk Management and Audit Committee – Chair	<b>60,570</b>	60,570
Remuneration and Nomination Committee – Chair	<b>36,774</b>	36,774
Risk Management and Audit Committee – Member	<b>30,285</b>	30,285
Remuneration and Nomination Committee – Member	<b>18,387</b>	18,387

\* 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 Non-Executive Director, converted into Sigma shares or paid into the Non-Executive 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 Non-Executive Director's superannuation fund. Interest is applied to the balance on 1 February and 1 August each year, based on the 90-day bank bill rate.

Non-Executive Director	Financial Year	Accumulated Retirement Benefits Balance at 01/02/14 \$	Interest Applied to Existing Retirement Benefits \$	Average Interest Rate %	Retirement Benefits Paid \$	Accumulated Retirement Benefits Balance at 31/01/15 \$
Ms L Nicholls, AO	2014/15	<b>189,621</b>	<b>5,029</b>	<b>2.64</b>	-	<b>194,650</b>
	2013/14	184,451	5,170	2.79	-	189,621

## Executive Remuneration

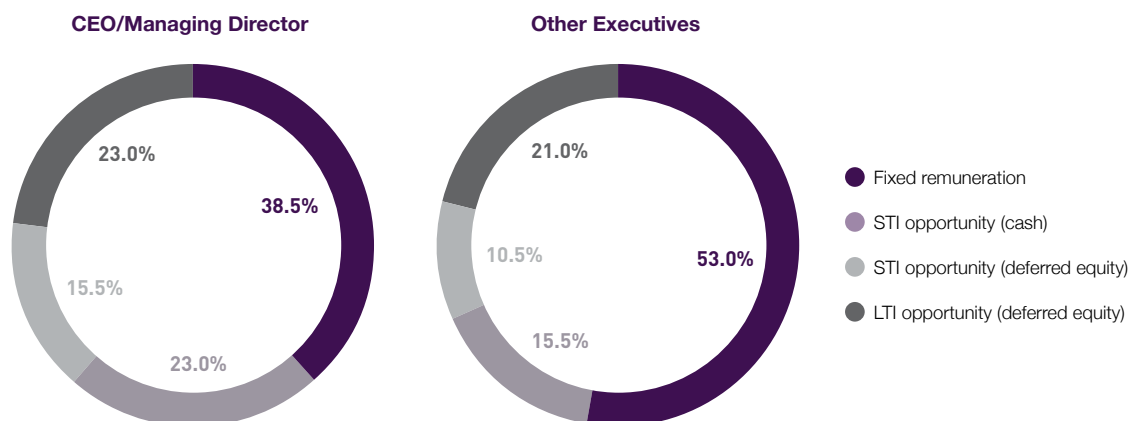
Executive remuneration is based on total reward structure comprising fixed remuneration and at-risk remuneration. At-risk remuneration is made up of short term incentive (STI) and long term incentive (LTI), and it is designed to align Executive remuneration with achievement of strategic and financial objectives that lead to the creation of shareholder value.

<b>At-risk Remuneration</b>						
<b>Fixed Remuneration</b>	+	<b>Short Term Incentive (STI)</b>	+	<b>Long Term Incentive (LTI)</b>	=	<b>Total Reward</b>
<p><b>Delivery mechanism</b></p> <ul style="list-style-type: none"> <li>100% cash payment consisting of base salary and statutory superannuation contributions</li> </ul> <p><b>Considerations</b></p> <ul style="list-style-type: none"> <li>Scope and complexity of the role</li> <li>Experience and performance of the individual Executive</li> <li>Internal and external benchmarking</li> </ul> <p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>Set to attract, retain and motivate the right talent to deliver our strategic objectives</li> <li>Typically set at the median of the external market, allowing scope for progressive increases based on proven performance in the role</li> </ul>		<p><b>Delivery mechanism</b></p> <ul style="list-style-type: none"> <li>60% paid in cash</li> <li>40% paid in performance rights, which are deferred for one and two years (50% each year) and subject to service and forfeiture conditions</li> </ul> <p><b>Performance measures</b></p> <p><b>Net Profit After Tax (NPAT) hurdle</b></p> <ul style="list-style-type: none"> <li>Minimum performance level must be achieved to trigger any STI payments (excluding Key Performance Indicators (KPIs) relating to safety)</li> </ul> <p><b>Financial measures</b></p> <ul style="list-style-type: none"> <li>50% of available STI split evenly across NPAT and Return On Invested Capital (ROIC)</li> <li>Budgeted target must be achieved for minimum payment and above budget stretch targets must be achieved for full payment</li> </ul> <p><b>Non-financial measures</b></p> <ul style="list-style-type: none"> <li>50% of available STI is aligned to the achievement of non-financial objectives that drive the strategic objectives of the Company</li> </ul> <p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>NPAT hurdle ensures a minimum acceptable level of profit before Executives receive any STI reward</li> <li>Performance conditions designed to support the financial and strategic objectives of the Company and shareholder return</li> <li>Stretch targets must be achieved to obtain maximum STI available, encouraging a high performance culture</li> <li>Large proportion of the reward payment is deferred to encourage greater emphasis on sustained performance, closer alignment between Executive and shareholder interests and to aid Executive retention</li> <li>Outcomes are subject to external audit to maintain integrity of the reward</li> </ul>		<p><b>Delivery mechanism</b></p> <ul style="list-style-type: none"> <li>100% delivered via shares in the Company – allocated upfront pursuant to Company loan</li> <li>Three year performance period subject to service and forfeiture conditions</li> </ul> <p><b>Performance measures</b></p> <p><b>Absolute Total Shareholder Return (TSR)</b></p> <ul style="list-style-type: none"> <li>50% of available LTI is measured against absolute TSR</li> <li>Vesting of the shares aligned to TSR will occur when an absolute TSR of 50% is achieved during the performance period</li> </ul> <p><b>ROIC</b></p> <ul style="list-style-type: none"> <li>50% of available LTI is measured against ROIC</li> <li>Vesting of the shares aligned to ROIC will occur when an average ROIC of 15% is achieved during the performance period (14% for 2012 and 2013 LTI Plans)</li> </ul> <p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>Allocation of shares upfront aligns the interests of Executives with shareholders from date of grant</li> <li>Designed to encourage Executives to focus on the key performance drivers that underpin sustainable growth in shareholder value</li> <li>Key benefits to participants under the Plan include capital appreciation (consistent with shareholder interests) and favourable taxation treatment (capital gains tax)</li> <li>Outcomes are subject to external audit to maintain integrity of the reward</li> </ul>		<p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>Attract, retain and motivate suitably qualified and experienced Executives</li> <li>Encourage a strong focus on performance</li> <li>Support the delivery of outstanding results for the Group over the short and long term</li> <li>Align Executive and shareholder interests through share ownership</li> </ul>

# Remuneration Report continued

## Executive Remuneration continued

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 Executives is as follows:



### Fixed Remuneration

The fixed remuneration component of an Executive's total reward is expressed as a total package consisting of base salary and statutory superannuation contributions.

Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken and fixed remuneration levels are set with regard to the external market median, with scope for incremental increase for superior performance.

Fixed remuneration is reviewed annually on 1 May, taking into account the performance of the individual and the Company. There are no guaranteed increases to fixed remuneration in any contracts of employment.

During the financial year the Board determined to award no increases to fixed remuneration for the CEO/Managing Director and other Executives.

### Short Term Incentive

The Short Term Incentive (STI) component of an Executive's total reward is an annual cash and deferred equity incentive plan. The STI links a portion of Executive reward opportunity to specific financial and non-financial measures.

Component	Commentary
<b>Maximum STI reward value</b>	100% of fixed remuneration for the CEO/Managing Director. 60% of STI reward is paid in cash and 40% in deferred equity. 50% of fixed remuneration for other Executives. 60% of STI reward is paid in cash and 40% in deferred equity.
<b>Hurdle requirement</b>	An NPAT hurdle must be achieved to trigger any STI payment opportunity. The NPAT hurdle is determined by the Board prior to the commencement of the financial year, taking into account the NPAT result for the concluding financial year and the budgeted NPAT target for the new financial year. The hurdle excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board.  NPAT was selected as an appropriate hurdle as it is the best overall measure of Company performance, is reflective of the generation of shareholder value and is a measure readily recognised by and reported to shareholders.  In recognition of the importance of workplace safety, KPIs relating to safety are excluded from this hurdle requirement, are separately established and payable upon achievement.

**Performance measures – financial** 50% of maximum STI reward relates to Group financial measures, specifically 25% each is weighted against ROIC and NPAT. As a minimum, budgeted ROIC and NPAT must be achieved for partial payment and above budget stretch targets must be achieved for full payment under these financial KPIs.

ROIC was selected as an appropriate performance measure as it captures both profitability and effectiveness of capital management, which are both important measures for shareholders.

NPAT was selected as an appropriate performance measure as it assesses overall Company performance and the generation of shareholder value.

Group financial calculations under the STI Plan exclude significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board.

**Performance measures – non-financial** 50% of maximum STI reward relates to non-financial measures, specifically:

- CEO/Managing Director – business performance, business development and safety.
- Other Executives – financial and operational performance, continuous improvement, delivery of key strategic programs, operational cost/efficiency and safety.
- Each non-financial measure is selected based on its alignment with key strategic initiatives that lead to increased shareholder value.

**Governance** All performance measures under the STI are clearly defined and measurable.

The Board, on recommendation from the Remuneration and Nomination Committee, approves the targets and assesses the performance outcome of the CEO/Managing Director.

The CEO sets the targets and assesses the performance of other Executives.

The Board, on recommendation from the Remuneration and Nomination Committee, approves STI payments for the CEO/Managing Director and other Executives.

Under the STI Plan, the Board has discretion to adjust STI outcomes based on the achievements that are consistent with the Group's strategic priorities and in the opinion of the Board enhance shareholder value.

**Reward mechanism** 60% of awarded STI is paid in cash upon Board approval of the audited year-end accounts.

40% of awarded STI is delivered in performance rights which are deferred for one and two years (50% each year) and are subject to service and forfeiture conditions.

No dividend is payable on deferred rights.

Deferring part of the STI reward in performance rights:

- ensures close alignment exists between the interests of Executives and shareholders through increased shareholding;
- instills an appropriate level of focus on business performance beyond the current year and supports the consistent achievement of targets; and
- acts as a retention tool where deferred rights are typically forfeited in the case of resignation.

**Financial year outcome** Financial performance during the current year was in line with our expectations. The NPAT result exceeded the hurdle requirement for STI payment for the 2014/15 financial year.

Refer to page 18 for further details.

# Remuneration Report continued

## Long Term Incentive

The Long Term Incentive (LTI) component of an Executive's total reward is an equity incentive plan that is designed to encourage Executives to focus on key performance drivers that underpin sustainable growth in shareholder value. The LTI facilitates share ownership by Executives and links a significant proportion of their at-risk remuneration to the Company's ongoing share price and returns to shareholders over the performance period.

Under the LTI, Executives are provided with a limited recourse loan from the Company for the sole purpose of acquiring shares in the Company. The shares are granted upfront, but are restricted and subject to a risk of forfeiture until the end of the performance period and while the loan remains outstanding. The post-tax value of any dividends paid on the shares is used to pay down the loan.

To gain access to the shares, the Executive must repay the outstanding loan following successful testing of the vesting conditions.

Component	Commentary
<b>Maximum LTI reward value</b>	60% of fixed remuneration for the CEO/Managing Director. 40% of fixed remuneration for other Executives.
<b>Performance period</b>	Three financial years commencing on 1 February in the year of the grant.  The 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 70% of ASX 200 companies had a vesting period of three years or less for their LTI plans during the 2014 financial year.
<b>Delivery mechanism</b>	Loan funded shares  Executives are provided with an interest free limited recourse loan to fund the acquisition of shares in the Company. The loan period is five years and runs concurrently with the three year performance period, thus providing a further two year exercise period beyond the conclusion of the performance period, subject to the vesting conditions being met. The Executives may choose to repay the outstanding loan associated with any vested shares prior to its expiry.  The number of shares acquired is equal to the maximum LTI reward value divided by the fair value (calculated using a Black-Scholes options pricing model).  The loan value is equal to the number of shares multiplied by the issue price (market price on grant date).  The Executives holding loan funded shares 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 value of post-tax dividends is applied to repay the outstanding loan. At the expiration of the loan period, the amount to be repaid is the lower of: <ul style="list-style-type: none"><li>• the outstanding loan less any repayments; and</li><li>• the market value of the vested shares.</li></ul> The shares allocated to Executives for the 2014 LTI Plan were purchased on-market and/or were previously forfeited shares.

<b>Vesting conditions</b>	<p>50% of shares will vest if the absolute Total Shareholder Return (TSR) vesting condition is achieved:</p> <ul style="list-style-type: none"> <li>• Absolute TSR of 50% or higher during the performance period.</li> </ul> <p>Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits) / Sigma share price at the start of the performance period.</p> <p>Absolute TSR was selected as an appropriate vesting condition as it measures the level of return to shareholders, taking into account share price growth and dividend payments including the value of any franking credits.</p> <p>In addition, the use of absolute TSR is not limited by the challenges associated with selecting a fair and appropriate comparator group given the size of the industry in which the Company operates. The use of Absolute TSR also avoids scenarios of windfall gains or losses to the Executives that can occur under certain circumstances within a comparator group. The Company is confident in its ability to set an absolute TSR target at a level that benefits both the Executives and shareholders.</p> <p>The remaining 50% of shares will vest if the average pre-tax ROIC vesting condition is achieved:</p> <ul style="list-style-type: none"> <li>• Average pre-tax ROIC of 15% during the performance period (14% for the 2012 and 2013 LTI Plans).</li> </ul> <p>Pre-tax ROIC = EBIT from continuing operations/(total shareholder funds + net debt)</p> <p>The ROIC vesting condition excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board.</p> <p>ROIC was selected as an appropriate vesting condition as it measures capital management effectiveness, including outcomes of multi-year investment decisions.</p>
<b>Re-testing</b>	No re-testing applies – shares that do not vest after testing lapse.
<b>Exercise price</b>	Issue price (market price on grant date).
<b>Disposal restrictions</b>	Dealing, transferring or disposing of shares is prohibited 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.
<b>Forfeiture conditions</b>	<p>In the event of resignation, unvested shares are typically forfeited (subject to Board discretion) and vested shares are retained, subject to repayment of the outstanding loan.</p> <p>In the event of summary dismissal, unvested shares are forfeited as are any vested shares that remain subject to an outstanding loan balance.</p> <p>In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.</p>
<b>Governance</b>	<p>All performance measures under the LTI are clearly defined and measurable.</p> <p>The Board, on recommendation from the Remuneration and Nomination Committee, approves the targets and assesses the performance outcome of each LTI Plan.</p> <p>The Board, on recommendation from the Remuneration and Nomination Committee, approves LTI vesting for each plan. Confirmation of vesting only occurs once the audited year-end accounts have been approved by the Board.</p> <p>Under the LTI Plan, the Board has discretion to adjust LTI outcomes based on the achievements that are consistent with the Group's strategic priorities and in the opinion of the Board enhance shareholder value.</p>
<b>Financial year outcomes</b>	After testing the vesting conditions, 100% of the 2012 LTI loan funded shares vested on 31 January 2015. Refer to page 19 for further details.

Table 3 and Table 4 on pages 24 to 25 set out the movements of performance rights and loan funded shares during the financial year.

# Remuneration Report continued

## Linking Executive Remuneration and Performance

In order 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 preceding four financial years.

12 Months Ended 31 January 2015	Financial Year				
	2014/15	2013/14	2012/13	2011/12	2010/11 <sup>1</sup>
Share price (\$) <sup>2</sup>	<b>0.765</b>	0.629	0.692	0.570	0.432
Dividends paid in the financial year (cps)	<b>2.0</b>	4.0	5.5	16.5 <sup>3</sup>	-
TSR <sup>4</sup>	<b>26.2%</b>	(0.8%)	35.2%	86.3%	
Pre-tax ROIC <sup>5</sup>	<b>15.6%<sup>8</sup></b>	14.6% <sup>7</sup>	13.5% <sup>6</sup>	12.4%	
EBIT (\$m)	<b>78.4<sup>9</sup></b>	74.7 <sup>7</sup>	71.1 <sup>6</sup>	69.2	(159.0)
NPAT (\$m)	<b>53.0<sup>9</sup></b>	56.8 <sup>7</sup>	52.3 <sup>6</sup>	49.2	(235.4)

1. Financial performance relates to total operations, including the discontinued pharmaceutical division. Financial performance relates to continuing operations only for all other years.
2. Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 trading days up to and including 31 January.
3. Dividends paid in the financial year include a special dividend of 15 cents per share.
4. TSR = (share price appreciation + dividends + value of franking credits) / Sigma share price at the start of financial year.
5. Pre-tax ROIC = EBIT from continuing operations / (total shareholder funds + net debt).
6. Excludes the impact of the 2012 class action settlement to earnings.
7. Excludes the impact of the 2013 litigation settlement to Vifor (International) Limited and acquisition costs.
8. Excludes acquisition costs and related earnings.
9. Excludes acquisition costs.

## Company Performance and STI Outcomes

For the Executives to qualify for a payment under the STI Plan, a pre-agreed level of Company profit must first be achieved. Once this has been achieved, the level of payment the Executive receives is determined based on the achievement of their pre-defined financial and non-financial performance measures.

The Board retains discretion to review and, where appropriate, amend any aspect of the STI Plan including Group and/or individual performance, as the Board sees fit.

Financial performance during the current year was in line with our expectations. The NPAT result exceeded the NPAT hurdle requirement for STI payment for the 2014/15 financial year.

The total STIs awarded to the Executives including the deferred component for the financial year were \$1,367,135, representing an average of 79.4% of their maximum STI opportunity. The table below shows the STI payments to each Executive for the current and preceding financial years as approved by the Board:

Executives	Maximum STI Opportunity as % of Fixed Remuneration	2014/15				2013/14			
		% STI Forfeited	% STI Paid	STI Cash Payment \$	STI Deferred Equity <sup>1</sup> \$	% STI Forfeited	% STI Paid	STI Cash Payment \$	STI Deferred Equity <sup>2</sup> \$
Mr M Hooper	100	20.00	80.00	566,931	377,954	92.5	7.5	53,150	35,433
Mr G Dunne	50	10.00	40.00	134,400	89,600	42.5	7.5	12,600	8,400
Mr J Sells	50	11.87	38.13	118,950	79,300	50.0	0.0	-	-
<b>Total</b>				<b>820,281</b>	<b>546,854</b>			65,750	43,833

1. 50% of the deferred equity will each vest on 31 January 2016 and 31 January 2017 respectively.
2. 50% of the deferred equity vested on 31 January 2015 and the remaining 50% will vest on 31 January 2016.

## Company Performance and LTI Outcomes

The LTI Plan focuses on driving key performance outcomes that underpin sustainable growth and the creation of 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 LTI Plan in 2011. Absolute share price growth during this period equates to nearly 80% and, coupled with fully franked dividend payments of 28 cents, this represents a strong return for shareholders.



### 2012 Long Term Incentive Plan

Under the 2012 LTI Loan Funded Share Plan, the Company is required to achieve an average pre-tax ROIC of 14% and an absolute TSR of 50% or higher during the three-year performance period for full vesting to occur. On 31 January 2015 the vesting conditions under the 2012 LTI Plan were tested. The Board retains discretion to review and, where appropriate, amend any aspect of the LTI Plan, including performance conditions, as the Board sees fit. The table below shows the level of vesting as approved by the Board:

Performance Period	Performance Measure	Vesting Condition	Actual Achievement	% of LTI Vested	% of LTI Forfeited
1 February 2012 to 31 January 2015	Average pre-tax ROIC	14% or higher	14.6%	50	0
	Absolute TSR	50% or higher	63%	50	0

Upon vesting, the loan-funded shares will continue to be subject to forfeiture conditions as described on page 17. The Executives may elect to exercise the vested shares at the pre-determined exercise price within a two-year period as set out in the table below.

Executives	Lapsed	Vested and Exercisable	Exercise Date	Exercise Price \$	Expiry Date
Mr M Hooper	-	3,784,034	1 February 2015	0.5400	31 January 2017
Mr G Dunne	-	1,155,078	1 February 2015	0.5750	31 January 2017
Mr J Sells	-	1,091,548	1 February 2015	0.5750	31 January 2017

Table 4 on pages 24 to 25 sets out the details of the 2012 LTI Plan vested to the Executives.

### 2011 Long Term Incentive Plan

During the financial year, 100% of the 2011 LTI loan funded shares have vested to Mr M Hooper and Mr J Sells on 28 June 2014 and Mr G Dunne on 4 July 2014, following the achievement of the prescribed performance conditions on 31 January 2014, as disclosed in the Company's 2013/14 Annual Report.

The vested loan funded shares will continue to be subject to forfeiture conditions as described on page 17. Executives may elect to exercise the vested shares within a two-year period at the pre-determined exercise price as set out in the table below.

Executives	Vested and Exercisable	Exercise Date	Exercise Price \$	Expiry Date
Mr M Hooper	5,372,395	28 June 2014	0.5050	28 June 2016
Mr G Dunne	1,639,925	4 July 2014	0.5400	4 July 2016
Mr J Sells	1,549,729	28 June 2014	0.5050	28 June 2016

Table 4 on pages 24 to 25 sets out the details of the 2011 LTI Plan vested to the Executives.

# Remuneration Report continued

## Other Remuneration Disclosures

### Equity restrictions

Unvested equity (performance rights under the deferred STI award and loan funded shares under the 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 equity.

### Clawback arrangements

The Board has discretion to adjust or cancel deferred STI, unvested LTI or vested LTI that is subject to an outstanding loan balance, should the Board determine the specific circumstance warrants such action.

### Employee Share Plan

To align their interests with those of the shareholders, employees of the Sigma Group at all levels of the organisation are encouraged to hold shares in the Company. During the financial year the Company offered all eligible employees the opportunity to acquire shares in the Company on a 10-year interest free limited recourse loan. The value of any dividend paid and employee contributions are applied to repay the outstanding loan, which can be extinguished prior to its expiration, subject to a three-year disposal restriction period. The amount to be repaid is the lower of the outstanding loan less any repayments and the market value of the shares.

A total of 454 acceptances were received resulting in 2,509,000 shares being allocated, all of which were acquired on-market.

### Loans to Executives

There were no loans to the Executives during the financial year, except as allowed under the Employee Share Plan and the LTI Plan. Loans are not provided to Non-Executive Directors.

**TABLE 1: Statutory Remuneration Disclosure for Key Management Personnel of the Company and Group: Financial Year 2014/15**

	Short-term Benefits				Post-employment Benefits			
	Salary and Base Fees <sup>2</sup> \$	Committee Fees \$	Cash Short-term Incentive <sup>3</sup> \$	Sign On Cash Payments \$	Non-monetary Benefits <sup>4</sup> \$	Superannuation Benefits \$	Increase in Retirement Benefits <sup>5</sup> \$	Retirement Benefits Paid \$
<b>Non-Executive Directors</b>								
Mr B Jamieson	295,191	n/a	n/a	n/a	4,755	18,363	n/a	n/a
Mr D Bayes	108,160	67,059	n/a	n/a	4,755	16,463	n/a	n/a
Mr R Gunston	108,160	48,672	n/a	n/a	4,755	14,736	n/a	n/a
Mr D Manuel	108,160	18,387	n/a	n/a	4,755	11,890	n/a	n/a
Ms L Nicholls, AO	108,160	60,570	n/a	n/a	4,755	15,853	5,029	-
<b>Subtotal for Non-Executive Directors</b>	<b>727,831</b>	<b>194,688</b>	<b>n/a</b>	<b>n/a</b>	<b>23,775</b>	<b>77,305</b>	<b>5,029</b>	<b>-</b>
<b>Executives</b>								
Mr M Hooper	1,162,562	n/a	566,931	n/a	4,755	18,363	n/a	n/a
Mr G Dunne	546,543	n/a	134,400	n/a	4,755	18,363	n/a	n/a
Mr J Sells	483,816	n/a	118,950	n/a	4,755	18,363	n/a	n/a
<b>Subtotal for Executives</b>	<b>2,192,921</b>	<b>n/a</b>	<b>820,281</b>	<b>n/a</b>	<b>14,265</b>	<b>55,089</b>	<b>n/a</b>	<b>n/a</b>
<b>Total</b>	<b>2,920,752</b>	<b>194,688</b>	<b>820,281</b>	<b>n/a</b>	<b>38,040</b>	<b>132,394</b>	<b>5,029</b>	<b>n/a</b>

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 Directors Share Plan detailed on page 11. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

3. Represents cash payments in respect to the 2014/15 STI Plan.

4. Includes amounts paid for Directors' and Officers' insurance.

## Transactions with Directors

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 2015 was \$4,857,124 (2014 – \$4,972,926). The amounts receivable at balance date from Mr D Manuel and his Director-related entities, included within trade debtors in Note 10, was \$382,475 (2014 – \$446,958). 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.

## 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 that 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:

Executives	Notice Period by Company	Notice Period by Employee
Mr M Hooper	12 months	6 months
Mr G Dunne	6 months	3 months
Mr J Sells	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.

Other Long-term Benefits <sup>1</sup>	Termination Payments	Value in Share-based Plans			Total Remuneration Including Value in Share-based Plans	Share-based Payments as Proportion of Remuneration <sup>8</sup>
		Total Remuneration Excluding Value in Share-based Plans	Performance Rights <sup>6</sup>	Loan Funded Shares <sup>7</sup>		
\$	\$	\$	\$	\$	\$	%
n/a	-	318,309	n/a	n/a	318,309	0
n/a	-	196,437	n/a	n/a	196,437	0
n/a	-	176,323	n/a	n/a	176,323	0
n/a	-	143,192	n/a	n/a	143,192	0
n/a	-	194,367	n/a	n/a	194,367	0
<b>n/a</b>	<b>-</b>	<b>1,028,628</b>	<b>n/a</b>	<b>n/a</b>	<b>1,028,628</b>	<b>0</b>
16,618	-	1,769,229	207,688	849,955	2,826,872	37
5,577	-	709,638	49,337	242,231	1,001,206	29
7,143	-	633,027	41,553	225,807	900,387	30
<b>29,338</b>	<b>-</b>	<b>3,111,894</b>	<b>298,578</b>	<b>1,317,993</b>	<b>4,728,465</b>	<b>34</b>
<b>29,338</b>	<b>-</b>	<b>4,140,522</b>	<b>298,578</b>	<b>1,317,993</b>	<b>5,757,093</b>	<b>28</b>

5. Interest on accrued retirement benefit as described on page 12.

6. Represents amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2012/13, 2013/14 and 2014/15 STI Plan.

7. The value of the loan funded shares determined using the Black-Scholes option pricing model is allocated evenly over the vesting period, therefore the amount disclosed above for the current year includes loan funded shares allocated in prior years.

8. Includes amounts expensed in relation to STI deferred equity and LTI loan funded shares. Excludes share purchases under the Non-Executive Directors Share Plan.

# Remuneration Report continued

**TABLE 2: Statutory Remuneration Disclosure for Key Management Personnel of the Company and Group: Financial Year 2013/14**

	Short-term Benefits				Post-employment Benefits			
	Salary and Base Fees <sup>2</sup> \$	Committee Fees \$	Cash Short-term Incentive <sup>3</sup> \$	Sign On Cash Payments \$	Non-monetary Benefits <sup>4</sup> \$	Superannuation Benefits \$	Increase in Retirement Benefits <sup>5</sup> \$	Retirement Benefits Paid \$
<b>Non-Executive Directors</b>								
Mr B Jamieson	292,603	n/a	n/a	n/a	5,301	17,231	n/a	n/a
Mr D Bayes	107,120	66,414	n/a	n/a	5,301	15,874	n/a	n/a
Mr R Gunston	107,120	63,787	n/a	n/a	5,301	15,610	n/a	n/a
Mr D Manuel	107,120	18,210	n/a	n/a	5,301	11,464	n/a	n/a
Ms L Nicholls, AO	107,120	59,987	n/a	n/a	5,301	15,286	5,170	-
<b>Subtotal for Non-Executive Directors</b>	<b>721,083</b>	<b>208,398</b>	<b>n/a</b>	<b>n/a</b>	<b>26,505</b>	<b>75,465</b>	<b>5,170</b>	<b>-</b>
<b>Executives</b>								
Mr M Hooper	1,196,984	n/a	53,150	n/a	5,301	17,231	n/a	n/a
Mr G Dunne	558,255	n/a	12,600	n/a	5,301	17,231	n/a	n/a
Mr J Sells	498,450	n/a	-	n/a	5,301	17,231	n/a	n/a
<b>Subtotal for Executives</b>	<b>2,253,689</b>	<b>n/a</b>	<b>65,750</b>	<b>n/a</b>	<b>15,903</b>	<b>51,693</b>	<b>n/a</b>	<b>n/a</b>
<b>Total</b>	<b>2,974,772</b>	<b>208,398</b>	<b>65,750</b>	<b>n/a</b>	<b>42,408</b>	<b>127,158</b>	<b>5,170</b>	<b>n/a</b>

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 Directors Share Plan detailed on page 11. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

3. Represents cash payments in respect to the 2013/14 STI Plan.

4. Includes amounts paid for Directors' and Officers' insurance.

5. Interest on accrued retirement benefit as described on page 12.

6. Represents amounts expensed in relation to the sign on performance rights granted to the CEO/Managing Director and Chief Financial Officer and amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2011/12, 2012/13 and 2013/14 STI Plan.

7. The value of the loan funded shares determined using the Black-Scholes option pricing model is allocated evenly over the vesting period, therefore the amount disclosed above for the current year includes loan funded shares allocated in prior years.

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 Directors Share Plan.

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Value in Share-based Plans

Other Long-term Benefits <sup>1</sup> \$	Termination Payments \$	Total Remuneration Excluding Value in Share-based Plans \$	Performance Rights <sup>6</sup> \$	Loan Funded Shares <sup>7</sup> \$	Total Remuneration Including Value in Share-based Plans \$	Share-based Payments as Proportion of Remuneration <sup>8</sup> %
n/a	-	315,135	n/a	n/a	315,135	0
n/a	-	194,709	n/a	n/a	194,709	0
n/a	-	191,818	n/a	n/a	191,818	0
n/a	-	142,095	n/a	n/a	142,095	0
n/a	-	192,864	n/a	n/a	192,864	0
<b>n/a</b>	<b>-</b>	<b>1,036,621</b>	<b>n/a</b>	<b>n/a</b>	<b>1,036,621</b>	<b>0</b>
11,259	-	1,283,925	488,493	729,918	2,502,336	49
2,590	-	595,977	38,354	205,569	839,900	29
4,886	-	525,868	113,333	189,924	829,125	37
<b>18,735</b>	<b>-</b>	<b>2,405,770</b>	<b>640,180</b>	<b>1,125,411</b>	<b>4,171,361</b>	<b>42</b>
<b>18,735</b>	<b>-</b>	<b>3,442,391</b>	<b>640,180</b>	<b>1,125,411</b>	<b>5,207,982</b>	<b>34</b>

# Remuneration Report continued

**TABLE 3: Performance Rights: Details of Movement During the Financial Year 2014/15**

	Grant Date	Fair Value Per Right at Grant Date <sup>1</sup> \$	Number of Share Rights Issued	Fair Value of Rights at Grant Date \$
<b>Mr M Hooper</b>				
STI deferred equity	01/02/2013	0.5799	240,039	139,199
	01/02/2014	0.5574	29,244	16,301
	01/02/2014	0.5221	29,244	15,268
	01/02/2015	0.7620	237,677	181,110
	01/02/2015	0.7257	237,677	172,482
<b>Mr G Dunne</b>				
STI deferred equity	01/02/2013	0.5799	57,429	33,303
	01/02/2014	0.5574	6,933	3,864
	01/02/2014	0.5221	6,932	3,619
	01/02/2015	0.7620	56,346	42,936
	01/02/2015	0.7257	56,345	40,890
<b>Mr J Sells</b>				
STI deferred equity	01/02/2013	0.5799	54,270	31,471
	01/02/2015	0.7620	49,868	37,999
	01/02/2015	0.7257	49,867	36,188

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 subject to forfeiture conditions.

**TABLE 4: LTI Loan Funded Shares: Details of Movement During the Financial Year 2014/15**

Executive	Grant Date	Share Price at Grant \$	Fair Value Per Share at Grant Date <sup>1</sup> \$	Exercise Price \$	Exercise Date <sup>2</sup>	Balance at 01/02/14 <sup>4</sup>	Granted During the Year
<b>Mr M Hooper</b>							
	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	5,372,395	-
	01/02/2012	0.5400	0.2003	0.5400	01/02/2015	3,784,034	-
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	6,623,452	-
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	-	6,848,292
<b>Mr G Dunne</b>							
	04/07/2011	0.5400	0.1319	0.5400	04/07/2014	1,639,925	-
	01/02/2012	0.5750	0.1417	0.5750	01/02/2015	1,155,078	-
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	2,041,251	-
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	-	2,164,661
<b>Mr J Sells</b>							
	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	1,549,729	-
	01/02/2012	0.5750	0.1417	0.5750	01/02/2015	1,091,548	-
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	1,928,982	-
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	-	2,010,042

1. For accounting purposes, the fair value of the loan funded shares is calculated using the Black-Scholes option pricing model with Monte Carlo simulations.

2. Loan funded shares will only vest after satisfying the specific vesting conditions and will expire at the end of the five-year loan period subject to forfeiture conditions.

3. Loan value and balance are rounded to the nearest whole number.

4. Share allocation under the 2011 grant was satisfied through the issue of shares and previously forfeited shares held in trust. Share allocation under the 2012 grant was satisfied through the issue of shares. Share allocation under the 2013 grant was satisfied through an on-market share acquisition. Share allocation under the 2014 grant was satisfied through an on-market share acquisition and previously forfeited shares held in trust.

5. The loan repayments represent the value of post-tax dividends paid during the 2014/15 financial year that was applied to the outstanding loan balances, as well as any loan repayments made by the Executive.

Exercise Date <sup>2</sup>	Exercise Price	Balance of Share Rights at 01/02/14	Number of Share Rights Granted during the Year	Number of Share Rights Vested during the Year	Balance of Share Rights at 31/01/15
31/01/2015	-	240,039	-	240,039	-
31/01/2015	-	-	29,244	29,244	-
31/01/2016	-	-	29,244	-	29,244
31/01/2016	-	-	237,677	-	237,677
31/01/2017	-	-	237,677	-	237,677
31/01/2015	-	57,429	-	57,429	-
31/01/2015	-	-	6,933	6,933	-
31/01/2016	-	-	6,932	-	6,932
31/01/2016	-	-	56,346	-	56,346
31/01/2017	-	-	56,345	-	56,345
31/01/2015	-	54,270	-	54,270	-
31/01/2016	-	-	49,868	-	49,868
31/01/2017	-	-	49,867	-	49,867

Number of Loan Funded Shares				Loan Value and Balance <sup>3</sup>			
Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/15	Loan Value at Grant Date \$	Loan Balance at 01/02/14	Loan Repayments During the Year <sup>5</sup>	Loan Balance at 31/01/15
5,372,395	-	-	5,372,395	2,713,059	2,261,394	82,121	2,179,273
3,784,034	-	-	3,784,034	2,043,378	1,869,853	57,842	1,812,011
-	-	-	6,623,452	4,437,713	4,235,225	101,244	4,133,981
-	-	-	6,848,292	4,074,734	4,074,734	104,681	3,970,053
1,639,925	-	1,639,925	-	885,560	747,689	747,689	-
1,155,078	-	-	1,155,078	664,170	580,303	17,656	562,647
-	-	-	2,041,251	1,367,638	1,305,234	31,202	1,274,032
-	-	-	2,164,661	1,287,973	1,287,973	33,088	1,254,885
1,549,729	-	-	1,549,729	782,613	652,326	23,689	628,637
1,091,548	-	-	1,091,548	627,640	548,386	16,685	531,701
-	-	-	1,928,982	1,292,418	1,233,446	29,486	1,203,960
-	-	-	2,010,042	1,195,975	1,195,975	30,725	1,165,250

# Remuneration Report continued

**TABLE 5a: Share Holdings of Key Management Personnel**

2015	Number of Shares at 01/02/2014	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 31/01/2015
<b>Non-Executive Directors</b>						
Mr B Jamieson	532,513	-	102,088	-	-	634,601
Mr D Bayes	220,965	-	31,843	-	-	252,808
Mr R Gunston	111,460	-	28,502	-	-	139,962
Mr D Manuel	134,011	-	22,998	-	-	157,009
Ms L Nicholls, AO	530,459	-	30,664	-	-	561,123
<b>Subtotal for Non-Executive Directors</b>	<b>1,529,408</b>	<b>-</b>	<b>216,095</b>	<b>-</b>	<b>-</b>	<b>1,745,503</b>
<b>Executives</b>						
Mr M Hooper	4,496,864	585,666	-	1,922,071	-	3,160,459
Mr G Dunne	37,481	1,734,835	-	1,372,316	-	400,000
Mr J Sells	1,283,647	125,110	-	-	-	1,408,757
<b>Subtotal for Executives</b>	<b>5,817,992</b>	<b>2,445,611</b>	<b>-</b>	<b>3,294,387</b>	<b>-</b>	<b>4,969,216</b>
<b>Total</b>	<b>7,347,400</b>	<b>2,445,611</b>	<b>216,095</b>	<b>3,294,387</b>	<b>-</b>	<b>6,714,719</b>

2014	Number of Shares at 01/02/2013	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 31/01/2014
<b>Non-Executive Directors</b>						
Mr B Jamieson	475,659	-	56,854	-	-	532,513
Mr D Bayes	186,209	-	34,756	-	-	220,965
Mr R Gunston	77,314	-	34,146	-	-	111,460
Mr D Manuel	108,910	-	25,101	-	-	134,011
Ms L Nicholls, AO	496,991	-	33,468	-	-	530,459
<b>Subtotal for Non-Executive Directors</b>	<b>1,345,083</b>	<b>-</b>	<b>184,325</b>	<b>-</b>	<b>-</b>	<b>1,529,408</b>
<b>Executives</b>						
Mr M Hooper	100,000	4,396,864	-	-	-	4,496,864
Mr G Dunne	-	37,481	-	-	-	37,481
Mr J Sells	150,000	1,083,647	50,000	-	-	1,283,647
<b>Subtotal for Executives</b>	<b>250,000</b>	<b>5,517,992</b>	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>5,817,992</b>
<b>Total</b>	<b>1,595,083</b>	<b>5,517,992</b>	<b>234,325</b>	<b>-</b>	<b>-</b>	<b>7,347,400</b>

**TABLE 5b: Performance Rights and Options (Loan Funded Shares) Holdings of Key Management Personnel**

<b>2015</b>	<b>Number of Rights/ Options at 01/02/2014</b>	<b>Number of Rights/ Options Granted Through Share Plans During the Year</b>	<b>Number of Rights/ Options Exercised During the Year</b>	<b>Number of Rights/ Options Lapsed During the Year</b>	<b>Number of Rights/ Options at 31/01/2015</b>
<b>Non-Executive Directors</b>					
Mr B Jamieson	n/a	n/a	n/a	n/a	n/a
Mr D Bayes	n/a	n/a	n/a	n/a	n/a
Mr R Gunston	n/a	n/a	n/a	n/a	n/a
Mr D Manuel	n/a	n/a	n/a	n/a	n/a
Ms L Nicholls, AO	n/a	n/a	n/a	n/a	n/a
<b>Subtotal for Non-Executive Directors</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Executives</b>					
Mr M Hooper	16,619,198	7,387,134	585,666	-	23,420,666
Mr G Dunne	4,996,951	2,296,217	1,734,835	-	5,558,333
Mr J Sells	4,763,251	2,114,777	125,110	-	6,752,918
<b>Subtotal for Executives</b>	<b>26,379,400</b>	<b>11,798,128</b>	<b>2,445,611</b>	<b>-</b>	<b>35,731,917</b>
<b>Total</b>	<b>26,379,400</b>	<b>11,798,128</b>	<b>2,445,611</b>	<b>-</b>	<b>35,731,917</b>

<b>2014</b>	<b>Number of Rights/ Options at 01/02/2013</b>	<b>Number of Rights/ Options Granted Through Share Plans During the Year</b>	<b>Number of Rights/ Options Exercised During the Year</b>	<b>Number of Rights/ Options Lapsed During the Year</b>	<b>Number of Rights/ Options at 31/01/2014</b>
<b>Non-Executive Directors</b>					
Mr B Jamieson	n/a	n/a	n/a	n/a	n/a
Mr D Bayes	n/a	n/a	n/a	n/a	n/a
Mr R Gunston	n/a	n/a	n/a	n/a	n/a
Mr D Manuel	n/a	n/a	n/a	n/a	n/a
Ms L Nicholls, AO	n/a	n/a	n/a	n/a	n/a
<b>Subtotal for Non-Executive Directors</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Executives</b>					
Mr M Hooper	13,907,532	7,108,530	4,396,864	-	16,619,198
Mr G Dunne	2,873,323	2,161,109	37,481	-	4,996,951
Mr J Sells	3,804,375	2,042,523	1,083,647	-	4,763,251
<b>Subtotal for Executives</b>	<b>20,585,230</b>	<b>11,312,162</b>	<b>5,517,992</b>	<b>-</b>	<b>26,379,400</b>
<b>Total</b>	<b>20,585,230</b>	<b>11,312,162</b>	<b>5,517,992</b>	<b>-</b>	<b>26,379,400</b>

# Auditor's Independence Declaration

**Deloitte.**

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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Melbourne VIC 3000  
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The Board of Directors  
Sigma Pharmaceuticals Limited  
3 Myer Place  
Rowville VIC 3178

18 March 2015

Dear Board Members

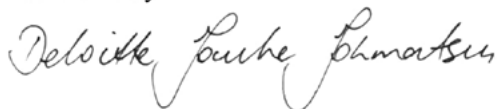
## **Sigma Pharmaceuticals Limited**

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.

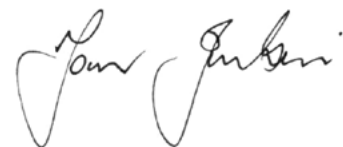
As lead audit partner for the audit of the financial statements of Sigma Pharmaceuticals Limited for the year ended 31 January 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 January 2015

	Notes	2015 \$'000	2014 \$'000
<b>Sales revenue</b>	4	<b>3,142,126</b>	2,973,466
Cost of goods sold		<b>(2,907,282)</b>	(2,756,581)
<b>Gross profit</b>		<b>234,844</b>	216,885
Other revenue and income	4	<b>52,369</b>	51,689
Warehousing and delivery expenses		<b>(111,734)</b>	(102,267)
Sales and marketing expenses		<b>(45,931)</b>	(48,197)
Administration expenses		<b>(43,628)</b>	(37,176)
Net litigation settlement expense	28	-	(3,677)
Acquisition expenses	24(b)	<b>(307)</b>	(662)
Depreciation and amortisation	5	<b>(7,558)</b>	(6,280)
<b>Profit before financing costs (EBIT)</b>		<b>78,055</b>	70,315
Financial income	6	<b>1,519</b>	2,449
Financial expense	6	<b>(3,978)</b>	(4,431)
<b>Net financing expense</b>	6	<b>(2,459)</b>	(1,982)
Share of profit/(loss) of equity accounted investees, net of tax	26	<b>(6)</b>	-
<b>Profit before income tax</b>		<b>75,590</b>	68,333
Income tax expense	7	<b>(22,818)</b>	(14,797)
<b>Profit for the year</b>		<b>52,772</b>	53,536
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of cash flow hedges	19	-	(933)
Exchange differences on translation of foreign operations	19	<b>83</b>	342
Income tax relating to components of other comprehensive income	19	<b>(25)</b>	177
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<b>58</b>	(414)
<b>Total comprehensive income for the year</b>		<b>52,830</b>	53,122
Profit attributable to:			
Owners of the Company		<b>52,773</b>	53,536
Non-controlling interest		<b>(1)</b>	-
<b>Profit for the year</b>		<b>52,772</b>	53,536
<b>Earnings per share (EPS) for profit attributable to the ordinary equity holders of the Company:</b>	<b>Notes</b>	<b>2015 Cents</b>	<b>2014 Cents</b>
Basic EPS	9	<b>5.1</b>	4.9
Diluted EPS	9	<b>4.8</b>	4.8

The above consolidated statement of profit or loss and other 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 2015

	Notes	2015 \$'000	2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	33(a)	34,284	67,468
Trade and other receivables	10	589,957	557,401
Income tax receivable		-	5,133
Inventories	11	251,385	222,392
Derivatives		-	18
Prepayments		4,246	3,586
<b>Total current assets</b>		<b>879,872</b>	855,998
<b>Non-current assets</b>			
Trade and other receivables	10	4,738	6,605
Property, plant and equipment	12	57,716	52,887
Goodwill and other intangible assets	13	98,261	22,553
Investments accounted for using the equity method	26	7,934	-
Net deferred tax assets	14	7,142	7,126
<b>Total non-current assets</b>		<b>175,791</b>	89,171
<b>Total assets</b>		<b>1,055,663</b>	945,169
<b>Current liabilities</b>			
Trade and other payables	15	450,633	353,064
Borrowings	16	291	-
Income tax payable		12,682	-
Provisions	17	13,592	11,042
Deferred income		1,122	252
<b>Total current liabilities</b>		<b>478,320</b>	364,358
<b>Non-current liabilities</b>			
Borrowings	16	339	-
Provisions	17	3,560	1,794
Deferred income		443	188
<b>Total non-current liabilities</b>		<b>4,342</b>	1,982
<b>Total liabilities</b>		<b>482,662</b>	366,340
<b>Net assets</b>		<b>573,001</b>	578,829
<b>Equity</b>			
Contributed equity	18	1,255,466	1,294,414
Reserves	19	20,386	17,537
Accumulated losses		(702,850)	(733,122)
Non-controlling interest	25	(1)	-
<b>Total equity</b>		<b>573,001</b>	578,829

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 2015

	Notes	Contributed Equity			Accumulated Losses \$'000	Non-controlling Interest \$'000	Total Equity \$'000
		Issued Capital \$'000	Treasury Shares \$'000	Reserves \$'000			
<b>Balance at 1 February 2013</b>		<b>1,368,474</b>	<b>(31,248)</b>	<b>14,511</b>	<b>(740,931)</b>	<b>-</b>	<b>610,806</b>
Profit for the year		-	-	-	53,536	-	53,536
Other comprehensive loss	19	-	-	(414)	-	-	(414)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(414)</b>	<b>53,536</b>	<b>-</b>	<b>53,122</b>
<b>Transactions with owners in their capacity as owners:</b>							
<i>Movements in:</i>							
- Employee shares exercised	18	-	735	-	-	-	735
- Share-based remuneration plans	19	-	-	2,287	-	-	2,287
- Contributed equity	18	(1,255)	1,255	-	-	-	-
- Share buy-back	18	(31,154)	(12,393)	-	-	-	(43,547)
- Dividends paid	8,19	-	-	1,483	(45,727)	-	(44,244)
- Dividends applied to equity compensation plan	19	-	-	(330)	-	-	(330)
		(32,409)	(10,403)	3,440	(45,727)	-	(85,099)
<b>Balance at 31 January 2014</b>		<b>1,336,065</b>	<b>(41,651)</b>	<b>17,537</b>	<b>(733,122)</b>	<b>-</b>	<b>578,829</b>
Profit for the year		-	-	-	52,773	(1)	52,772
Other comprehensive income	19	-	-	58	-	-	58
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>58</b>	<b>52,773</b>	<b>(1)</b>	<b>52,830</b>
<b>Transactions with owners in their capacity as owners:</b>							
<i>Movements in:</i>							
- Employee shares exercised	18	-	2,539	-	-	-	2,539
- Share-based remuneration plans	19	-	-	2,291	-	-	2,291
- Contributed equity	18	2,612	(2,612)	-	-	-	-
- Share buy-back	18	(23,389)	(18,098)	-	-	-	(41,487)
- Dividends paid	8,19	-	-	993	(22,501)	-	(21,508)
- Dividends applied to equity compensation plan	19	-	-	(493)	-	-	(493)
		(20,777)	(18,171)	2,791	(22,501)	-	(58,658)
<b>Balance at 31 January 2015</b>		<b>1,315,288</b>	<b>(59,822)</b>	<b>20,386</b>	<b>(702,850)</b>	<b>(1)</b>	<b>573,001</b>

Note: All items in the consolidated 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 2015

	Notes	2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		3,477,773	3,340,629
Payments to suppliers and employees		(3,410,428)	(3,249,491)
Net payment for litigation settlement	28	-	(3,677)
Interest received		1,519	2,449
Interest paid		(3,832)	(4,458)
Income taxes paid		(3,718)	(5,805)
<b>Net cash inflow from operating activities</b>	33(b)	<b>61,314</b>	79,647
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment, software and intangibles	12,13	(10,232)	(7,293)
Acquisition of subsidiaries, net of cash acquired	24(e)	(41,921)	-
Net cash outflow on acquisition of associate	26	(7,940)	-
Proceeds from sale of property, plant and equipment		26,097	78
<b>Net cash outflow from investing activities</b>		<b>(33,996)</b>	(7,215)
<b>Cash flows from financing activities</b>			
Net repayment of borrowings		(217)	(30,000)
Payments for shares bought back		(23,389)	(31,587)
Purchase of Sigma shares for employees		(18,098)	(13,308)
Proceeds from employee shares exercised	18(c)	2,539	735
Receipts from other loans receivable		164	661
Dividends paid	8	(21,508)	(44,244)
<b>Net cash outflow from financing activities</b>		<b>(60,509)</b>	(117,743)
<b>Net decrease in cash and cash equivalents</b>		<b>(33,191)</b>	(45,311)
Cash and cash equivalents held at the beginning of the financial period		67,468	112,692
Effects of exchange rate changes on cash and cash equivalents		7	87
<b>Cash and cash equivalents at the end of the financial period</b>	33(a)	<b>34,284</b>	67,468

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 2015

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# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 1. Basis of Financial Report Preparation

### (a) Reporting entity

Sigma Pharmaceuticals Limited (the 'Company') is a company domiciled in Australia. This financial report was authorised for issue by the Directors on 18 March 2015.

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 International Financial Reporting Standards (IFRS)

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

### (c) Basis of preparation

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. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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) Use of accounting estimates and judgements

The preparation of the financial statements in conformity with Australian Accounting Standards requires 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 2015.

### 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 2015.

### Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical and industry experience and lease terms (for leased equipment). Adjustments to useful lives are made when considered necessary.

### Share-based payment transaction

The Company measures the cost of equity-settled securities allocated to employees by reference to the fair value of the equity instruments at the date at which they are granted.

For the Executive Short Term and Long Term Incentive Plans and Performance Rights Plan, the fair value of the performance share rights is determined using the Black-Scholes pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact the share-based payment expense and equity.

### Lease make good

The consolidated entity assesses its provision for rehabilitation ('make good provisions') under its lease agreements on distribution centres at each reporting date. Estimates and assumptions are made in determining the provision as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at balance date represents management's best estimate of the present value of the future make good costs required.

### Impairment and recoverable amount of assets other than goodwill

The consolidated entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product, technology, economic, environmental and political environments and future expectations. If an impairment trigger exists, the recoverable amount of the asset is determined. There was no impairment recognised during the year as a result of this.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and underlying assumptions are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period and future periods if the revision affects both current and future periods.

### Goodwill

During the year the Group acquired subsidiaries under an agreement that requires additional consideration to be paid to the previous owners based on the subsidiaries achieving defined profit performance in a future trading period. The goodwill calculation has involved estimates and assumptions around the determination of the subsidiary future trading performance and the resultant additional consideration to be paid. To the best of management's knowledge, the goodwill and the contingent consideration are fairly recorded at period end (refer to Note 24).

## 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 2. Summary of Significant Accounting Policies continued

### (a) Basis 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 2015 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 control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

### 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 acquiree 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 Income Taxes.

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.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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.

#### **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.

#### **Investments in associates**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with AASB 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests. When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 2. Summary of Significant Accounting Policies continued

### (b) Revenue

#### Sale of goods

Revenue from the sale of goods (net of returns, discounts and allowances) is recognised in profit or 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 CSO is an arrangement whereby the government provides a pool of funding that 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, Guardian, PharmaSave and Discount Drugstores banner stores pay an annual membership fee to the Group. This membership fee entitles the stores to access certain Group discounts (specifically applicable to banner members) and other benefits including Group catalogue advertising. This revenue is recognised over the period of the year that 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 over the period of lease.

##### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on straight-line basis over the expected lives of the related assets.

### (c) 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.

#### **(d) 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 profit or 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.

#### **(e) 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 that 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 Westpac debtors securitisation facility;
- finance lease charges; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

The Group has a debtors' securitisation program called Westpac debtors securitisation facility. 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 'financial expenses' in profit or loss.

#### **(f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the 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 Statement of Cash Flow on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from, or payable to, the ATO is classified as operating cash flows.

#### **(g) Dividends**

Dividends are recognised when an obligation to pay a dividend arises following a declaration of the dividend by the Company's Board of Directors.

#### **(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 or 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 profit or loss.

##### **Calculation of recoverable amount**

The recoverable amount of assets is the greater of their fair value less costs of disposal 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 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 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 profit or 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 profit or 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 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.

### (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 an either straight-line basis or diminishing value method 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 profit or 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.

#### Goodwill

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

#### 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.

#### Software

Capitalised software are initially recorded at cost and amortised on a straight-line basis over the estimated useful lives, but not greater than a period of seven 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 that 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 profit or loss.

Operating leases are not capitalised. Operating lease payments are charged to profit or 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.

### **(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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### **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 pro-rata entitlement accrual commencing after three years of 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 that contain specific clauses 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 profit or 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 that most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expenses.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 2. Summary of Significant Accounting Policies continued

### Superannuation plans

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

### (t) Share-based payment transactions

Share-based compensation benefits are provided to employees via the Sigma ESP, 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 31.

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/accumulated losses 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.

### (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 it 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 profit or 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.

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 that 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 or 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 CODM 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).

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 2. Summary of Significant Accounting Policies continued

### (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 and reflects income received that relates to a future period. Such income is subsequently recognised in profit or 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 34 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

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 February 2014.

The adoption of all new and revised Standards and Interpretations did not affect the amounts reported for the current or prior periods. In addition, the new and revised Accounting Standards and Interpretations have not had a material impact and not resulted in change to the Group's presentation of, or disclosure in, these financial statements.

In the current year, the Group has applied the following Accounting Standards. The key requirements and changes are highlighted in the table below. These changes have not had a material impact on the amounts recognised in the consolidated financial statements.

#### AASB 1031 Materiality (2013) (effective 1 February 2014)

The revised standard is an interim standard that cross-references to other standards and the Framework for the Preparation and Presentation of Financial Statements that now contains guidance on materiality. The AASB is progressively removing all references to AASB 1031 from all standards and interpretations and once all these references have been removed, AASB 1031 will be withdrawn. The amendment does not have any impact on the Group's disclosures.

#### AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel disclosure requirements (effective 1 February 2014)

The Standard has been amended to remove the individual Key Management Personnel (KMP) disclosures required by Australian specific paragraphs. All of the detailed disclosures with Key Management Personnel are now disclosed in the remuneration report for the year, per revised Corporations Regulations.

#### AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (effective 1 February 2014)

The amendments do not change the current offsetting rules in AASB 132, but they clarify that the right of set-off must be available today (i.e. not contingent on a future event) and must be legally enforceable in the normal course of business as well as in the event of default, insolvency or bankruptcy. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.

#### AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-financial Assets (effective 1 February 2014)

The amendments require the consolidated entity to provide additional information about the fair value measurements applied in determining the recoverable amount of impaired assets. The change does not have a significant impact on the financial statements of the Group.

#### AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective 1 February 2014)

The amendments remove guidance on materiality from AASB 1031. They also remove cross-references inserted to other standards and the Framework for the Preparation and Presentation of Financial Statements where guidance on materiality is located. The amendments have no impact on the financial statements of the Group.

#### New standards and interpretations not yet adopted

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

<b>AASBs and Interpretation</b>	<b>Effective for Annual Reporting Periods Beginning on or After</b>	<b>Expected to be Initially Applied in the Financial Period Ending</b>
AASB 2014-1 Amendments to Australian Accounting Standards – Part E: Financial Instruments	1 January 2015	31 January 2016
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (December 2013) – Part C – Financial Instruments	1 January 2015	31 January 2016
AASB 9 Financial Instruments, and the relevant amending standards	1 January 2018	31 January 2019
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	31 January 2017
AASB 2014-3 Amendments to Australian Accounting Standards – Accounting Acquisitions of Interest in Joint Operations	1 January 2016	31 January 2017
AASB 15 – Revenue from Contracts with Customers	1 January 2017	31 January 2018
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle	1 January 2016	31 January 2017

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

<b>IFRSs and Interpretation</b>	<b>Effective for Annual Reporting Periods Beginning on or After</b>	<b>Expected to be Initially Applied in the Financial Period Ending</b>
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	31 January 2017
Narrow-scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011)	1 January 2016	31 January 2017

With the exception of AASB 15, the Group does not believe these Accounting Standards and Interpretations will have a material impact in future periods on the consolidated financial statements at this point in time. The Group is in the process of assessing the impact of AASB 15 in future periods on the consolidated financial statements.

The Group does not intend to adopt any of these pronouncements before their effective dates.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 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 has been identified as the Executive team consisting of our Chief Executive Officer and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

For the year ended 31 January 2015, management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, the Group continues to operate only in 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 that forms 37% 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 2015 was \$1,166.0 million (2014: \$1,010.7 million).

## 4. Revenue and Other Income

	2015 \$'000	2014 \$'000
<b>Sales revenue</b>	<b>3,142,126</b>	2,973,466
<b>Other revenue</b>		
Commissions and fees	9,136	7,245
Membership revenue	12,914	10,920
Marketing services and promotional revenue	23,617	16,809
Rentals and other trading revenue	6,542	5,742
<b>Total other revenue</b>	<b>52,209</b>	40,716
<b>Other income</b>		
Profit on sale of property, plant and equipment*	160	10,973
<b>Total other revenue and other income</b>	<b>52,369</b>	51,689

\* During the prior year, Sigma Pharmaceuticals sold the Clayton land and building to Cedar Woods Limited for \$25,316,000 (GST exclusive). Profit totalling \$10,928,000 was recognised on the sale.

## 5. Expenses

	2015 \$'000	2014 \$'000
Expenses before interest and income tax:		
<b>Amortisation</b>		
Brand names	461	449
Software	1,796	821
<b>Total amortisation</b>	<b>2,257</b>	1,270
<b>Depreciation</b>		
Buildings	500	680
Plant and equipment	4,801	5,130
<b>Total depreciation</b>	<b>5,301</b>	5,810
Impairment reversal of land and building	-	(800)
<b>Total depreciation and amortisation</b>	<b>7,558</b>	6,280
Write-down of inventories to net realisable value	3,435	4,027
Net impairment loss on trade debtors	563	7,757
Employee benefits expense	97,391	84,927
Defined contribution plans	6,350	5,737
Employee share-based payments expense	2,291	2,287
Directors' retirement provision	5	6
Rental expenses on operating leases	8,022	6,773

## 6. Net Financing Expense

	2015 \$'000	2014 \$'000
<b>Financial income</b>		
Interest revenue	1,519	2,449
<b>Total financial income</b>	<b>1,519</b>	2,449
<b>Financial expense</b>		
Interest expense	(3,978)	(4,431)
<b>Total financial expense</b>	<b>(3,978)</b>	(4,431)
<b>Net financing expense</b>	<b>(2,459)</b>	(1,982)

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

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 7. Income Tax Expense

	2015 \$'000	2014 \$'000
Profit before income tax	75,590	68,333
Prima facie income tax expense calculated at 30%	22,677	20,500
Tax effect of differential corporate rate	(6)	-
Tax effect of amounts that are not deductible (taxable) in calculating taxable income:		
Other items	1,643	(1,797)
Effect of recoupment of capital losses not previously recorded	(135)	(4,477)
Amounts (over)/under provided in prior years	(1,361)	571
<b>Income tax expense</b>	<b>22,818</b>	<b>14,797</b>
Income tax expense comprises –		
Current expense	22,635	14,088
Deferred benefit	1,544	138
Adjustments for current income tax of prior periods	(1,361)	571
<b>Income tax expense</b>	<b>22,818</b>	<b>14,797</b>

### Unrecognised deferred tax losses

Deferred tax assets have not been recognised in respect of capital losses of \$217.2 million tax effected (2014: \$217.3 million tax effected) because it is not probable that the Group will have sufficient future capital gains available against which the deferred tax asset could be utilised.

## 8. Dividends

	2015 \$'000	2014 \$'000
Dividends recognised by the parent entity	22,501	45,745
Less: dividends paid on shares held by Sigma Employee Share Plan	-	(18)
	22,501	45,727
Less: dividends paid on shares issued under the Sigma Employee Share Plan	(993)	(1,483)
Dividends paid by the Group	21,508	44,244

	Cents Per Share	Amount \$'000	Date of Payment	Tax Rate for Franking Credit %	Percentage Franked %
<b>2015</b>					
Final dividend for the year ended 31 January 2014					
- Ordinary shares paid in cash	2.0	22,501	30 April 2014	30	100
<b>Total dividends recognised by the parent entity</b>		<b>22,501</b>			
Less: dividends paid on shares held by Sigma Employee Share Plan		-			
Less: dividends paid on the shares under the Sigma Employee Share Plan		(993)			
<b>Total dividends paid by the Group</b>		<b>21,508</b>			

	Cents Per Share	Amount \$'000	Date of Payment	Tax Rate for Franking Credit %	Percentage Franked %
<b>2014</b>					
Final dividend for the year ended 31 January 2013					
- Ordinary shares paid in cash	2.0	23,213	19 April 2013	30	100
Interim dividend for the year ended 31 January 2014					
- Ordinary shares paid in cash	2.0	22,532	23 October 2013	30	100
Total dividends recognised by the parent entity		45,745			
Less: dividends paid on the shares held by Sigma Employee Share Plan		(18)			
Less: dividends paid on the shares under the Sigma Employee Share Plan		(1,483)			
Total dividends paid by the Group		44,244			

	2015 \$'000	2014 \$'000
<b>Dividend franking account</b>		
Amount of franking credits available for the subsequent year	<b>317</b>	3,733

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; and
- (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 and with franking credits now available, the Board of Directors have resolved to pay a final dividend of 2.0 cents per share and a special dividend of 1.0 cent per share, both fully franked, to be paid on 16 April 2015 to shareholders on the register at the ex-dividend date of 31 March 2015. The total amount payable is \$32,803,000.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 9. Earnings Per Share

	2015 Cents	2014 Cents
<b>(a) Basic earnings per share</b>	5.1	4.9
<b>(b) Diluted earnings per share</b>	4.8	4.8
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
<b>(c) Profit used in the calculation of basic and diluted EPS</b>		
Net profit used in calculating basic and diluted EPS	52,773	53,536
Profit used to calculate basic and diluted EPS	52,773	53,536
	<b>2015 No. '000s</b>	<b>2014 No. '000s</b>
<b>(d) Weighted average number of shares used in the calculation of basic and diluted earnings per share</b>		
Shares on issue as at 1 February	1,119,954	1,162,670
Add: Effect of shares issued	4,294	-
Less: Effect of share buy-back	(17,038)	(28,486)
Less: Effect of shares held under the Equity Compensation Plan	(66,491)	(50,311)
<b>Weighted average number of ordinary shares at 31 January used in calculation of basic earnings per share</b>	<b>1,040,719</b>	1,083,873
Add: Effect of potential conversion to ordinary shares under Executive rights/option schemes	44,626	25,878
Add: Effect of shares held under Sigma Employee Share Plan	5,479	2,731
<b>Weighted average number of ordinary shares at 31 January used in calculation of diluted earnings per share</b>	<b>1,090,824</b>	1,112,482

### Performance Rights and Options

Full details of share rights and options are included in Note 31. The rights and options are considered dilutive and are included in the calculation of diluted earnings per share.

## 10. Trade and Other Receivables

	2015 \$'000	2014 \$'000
<b>Current</b>		
Trade debtors (a)	576,740	526,321
Provision for impairment of receivables (a)	(3,184)	(10,994)
	<b>573,556</b>	515,327
Other debtors (b)	15,255	41,210
Other loan receivables (c)	1,767	1,021
Provision for impairment of receivables (c)	(621)	(157)
	<b>1,146</b>	864
<b>Total current receivables</b>	<b>589,957</b>	557,401

	2015 \$'000	2014 \$'000
<b>Non-current</b>		
Trade debtors (a)	4,559	6,605
Other loan receivables (c)	179	-
<b>Total non-current receivables</b>	<b>4,738</b>	6,605

#### (a) Trade debtors

Nearly all trade debtors are unsecured and the only collateral the Group retains in relation to these debts is a standard retention of title clause. There are some circumstances where the Group will obtain additional security from its trade debtors as part of its normal credit risk management. 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 Westpac debtors securitisation facility of \$nil at 31 January 2015 (2014: nil).

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 2015, current trade receivables of the Group with a nominal value of \$3.6 million (2014: \$15.1 million) were impaired. The amount of the provision was \$3.2 million (2014: \$11.0 million). The individually impaired receivables mainly relate to customers who are in difficult economic situations. Each debtor has been assessed independently, 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 2015.

The ageing of these impaired Group receivables is as follows:

	2015 \$'000	2014 \$'000
0 days to 90 days overdue	2,145	10,450
Over 90 days overdue	1,462	4,638
	<b>3,607</b>	15,088

As at 31 January 2015, trade receivables of \$12.6 million (2014: \$7.7 million) were past due but not impaired. Of the \$12.6 million balance, \$6.9 million relates to the overdue but not impaired balance of the entities acquired during the reporting period. The Group has not recognised an allowance for doubtful debts because these balances relate to a number of independent customers for whom there is no recent history of default and are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2015 \$'000	2014 \$'000
0 days to 30 days overdue	9,902	3,987
Over 30 days overdue	2,697	3,680
	<b>12,599</b>	7,667

	2015 \$'000	2014 \$'000
Movements in the provision for impairment of receivables are as follows:		
At start of financial year	10,994	3,740
Provision raised during the year	1,397	8,055
Receivables written off during the year as uncollectible	(9,207)	(801)
At end of financial year	<b>3,184</b>	10,994

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

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 10. Trade and Other Receivables continued

### (b) Other debtors

In the prior year, other debtors include \$25.3 million as a receivable in relation to sale of Clayton land and building.

### (c) Other loan receivables

At 31 January 2015, there are two loans remaining with a total nominal value of \$1.9 million (2014:\$1.0 million). The amount of the loan receivables due within 12 months has been classified as current.

### Impaired other loan receivables

As at 31 January 2015, \$0.62 million (2014 : \$0.16 million) of current receivables was considered impaired and a full provision for this impairment has been made.

### (d) 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. In most circumstances, the Group does not hold any collateral as security on trade debt, apart from a standard retention of title clause.

### (e) 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 36.

## 11. Inventories

	2015 \$'000	2014 \$'000
<b>At cost</b>		
Finished goods	255,742	226,530
Provision for obsolescence	(4,357)	(4,138)
<b>Net inventories</b>	<b>251,385</b>	<b>222,392</b>

## 12. Property, Plant and Equipment

	Note	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 1 February 2013</b>				
Cost		43,064	69,434	112,498
Accumulated depreciation		(9,748)	(29,194)	(38,942)
Net book amount		33,316	40,240	73,556
<b>Year ended 31 January 2014</b>				
Opening net book amount		33,316	40,240	73,556
Additions		-	7,293	7,293
Transfer of completed projects		350	(350)	-
Transfer of intangible software		-	(9,281)	(9,281)
Impairment reversal of land and building*	5	800	-	800
Disposals		(13,637)	(34)	(13,671)
Depreciation	5	(680)	(5,130)	(5,810)
Closing net book amount		20,149	32,738	52,887
<b>At 31 January 2014</b>				
Cost		27,462	66,413	93,875
Accumulated depreciation		(7,313)	(33,675)	(40,988)
Net book amount		20,149	32,738	52,887
<b>Year ended 31 January 2015</b>				
Opening net book amount		20,149	32,738	52,887
Additions		7,402	2,729	10,131
Acquisition of subsidiaries		-	1,076	1,076
Transfer of completed projects		49	(49)	-
Transfer of intangible software		-	(486)	(486)
Disposals		(464)	(127)	(591)
Depreciation	5	(500)	(4,801)	(5,301)
Closing net book amount		26,636	31,080	57,716
<b>At 31 January 2015</b>				
Cost		34,322	69,412	103,734
Accumulated depreciation		(7,686)	(38,332)	(46,018)
Net book amount		26,636	31,080	57,716

\* During the year ended 31 January 2011, an impairment loss of \$0.8 million was recognised as the expected fair value less the cost to sell the property was lower than its carrying value. During the prior year, the Group reassessed the property and the initially recognised impairment was reversed.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 13. Goodwill and Other Intangible Assets

	Note	Brand Names \$'000	Software \$'000	Goodwill \$'000	Total \$'000
<b>At 1 February 2013</b>					
Cost		23,478	-	-	23,478
Accumulated amortisation		(9,241)	-	-	(9,241)
Net book amount		14,237	-	-	14,237
<b>Year ended 31 January 2014</b>					
Opening net book amount		14,237	-	-	14,237
Transfer from property, plant and equipment		-	9,281	-	9,281
Foreign currency movements		305	-	-	305
Amortisation	5	(449)	(821)	-	(1,270)
Closing net book amount		14,093	8,460	-	22,553
<b>Year ended 31 January 2014</b>					
Cost		24,357	9,281	-	33,638
Accumulated amortisation		(10,264)	(821)	-	(11,085)
Net book amount		14,093	8,460	-	22,553
<b>Year ended 31 January 2015</b>					
Opening net book amount		14,093	8,460	-	22,553
Acquisition of subsidiaries	24(c),(d)	36	2,110	75,217	77,363
Additions		12	89	-	101
Transfer from property, plant and equipment		-	486	-	486
Foreign currency movements		15	-	-	15
Amortisation	5	(461)	(1,796)	-	(2,257)
Closing net book amount		13,695	9,349	75,217	98,261
<b>Year ended 31 January 2015</b>					
Cost		24,459	11,966	75,217	111,642
Accumulated amortisation		(10,764)	(2,617)	-	(13,381)
Net book amount		13,695	9,349	75,217	98,261

### Impairment of goodwill and other intangible assets

Goodwill is not amortised and is tested at least annually for impairment. As the acquisitions are completed on an arm's-length basis during the year and the businesses are performing in line with expectation, it has been determined that the acquisition value is a reliable estimate of a fair value less cost to sell basis.

Intangible assets 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.

## 14. Net Deferred Tax Assets

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

	<b>Balance 1 February 2014 \$'000</b>	<b>Recognised in Income \$'000</b>	<b>Acquisitions \$'000</b>	<b>Recognised in Equity \$'000</b>	<b>Balance 31 January 2015 \$'000</b>
<b>2015</b>					
Trade and other receivables	3,586	(2,895)	1,125	-	1,816
Inventories	949	70	581	-	1,600
Trade and other accruals	2,348	561	134	-	3,043
Provisions for employee benefits	3,849	579	715	-	5,143
Other	610	361	(824)	-	147
Intangibles	(659)	119	-	(25)	(565)
Property, plant and equipment	(3,557)	(339)	(146)	-	(4,042)
Net deferred tax assets	7,126	(1,544)	1,585	(25)	7,142
Deferred tax assets	11,824	(2,216)	2,555	-	12,163
Deferred tax liabilities	(4,698)	672	(970)	(25)	(5,021)
Net deferred tax assets	7,126	(1,544)	1,585	(25)	7,142

	<b>Balance 1 February 2013 \$'000</b>	<b>Recognised in Income \$'000</b>	<b>Recognised in Equity \$'000</b>	<b>Balance 31 January 2014 \$'000</b>
<b>2014</b>				
Trade and other receivables	879	2,707	-	3,586
Inventories	1,451	(502)	-	949
Trade and other accruals	2,887	(539)	-	2,348
Provisions for employee benefits	3,424	425	-	3,849
Other	3,213	(2,603)	-	610
Derivative hedge reserve	(280)	-	280	-
Equity raising costs capitalised in equity	592	(592)	-	-
Intangibles	(618)	62	(103)	(659)
Property, plant and equipment	(4,461)	904	-	(3,557)
Net deferred tax assets	7,087	(138)	177	7,126
Deferred tax assets	13,097	(1,273)	-	11,824
Deferred tax liabilities	(6,010)	1,135	177	(4,698)
Net deferred tax assets	7,087	(138)	177	7,126

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 15. Trade and Other Payables

	2015 \$'000	2014 \$'000
<b>Current</b>		
Trade creditors	373,883	327,491
Other creditors	76,750	25,573
<b>Total current payables</b>	<b>450,633</b>	<b>353,064</b>

### 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 36.

## 16. Borrowings

	2015 \$'000	2014 \$'000
<b>Current</b>		
Secured loans	-	-
Unsecured loans	291	-
<b>Total current borrowings</b>	<b>291</b>	<b>-</b>
<b>Non-current</b>		
Other secured loans	63	-
Unsecured loans	276	-
<b>Total non-current borrowings</b>	<b>339</b>	<b>-</b>

### (a) Current borrowings

The Company, by executing the 'Receivables Purchase Agreement dated 28 January 1999' (RPA) and amended as part of the 'Sigma Amendment Agreement No. 8' dated 5 June 2014, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 5 February 2016. The debtor securitisation facility is \$175 million and the term is two years and is split into an overdraft facility of \$80 million and a revolving facility of \$95 million. The facility has been refinanced on the same terms and conditions as the previous facility.

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 advances from Westpac pursuant to the RPA. Repayment of the Westpac advances occurs from the 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 Westpac. As at the year ended 31 January 2015, 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.

### Unsecured loans

As part of the acquisition of the Central Healthcare Group (comprised of Central Healthcare Pty Ltd, Central Healthcare Services Pty Ltd, PriceSave Pty Ltd and PharmaSave Australia Pty Ltd), the Group acquired an interest-bearing three-year loan of \$653,000, which has been used to fund a loan to a customer on a back-to-back basis. At 31 January 2015, the balance of the loan outstanding is \$469,000, of which \$291,000 has been classified as current (payable within 12 months) and \$178,000 has been classified as non-current.

### (b) Non-current borrowings

#### Other secured loan

As part of Member Benefits Australia Pty Ltd acquisition, the Group acquired an interest-bearing car loan of \$96,000, of which \$63,000 remained outstanding as at 31 January 2015.

#### Unsecured loans

As part of Member Benefits Australia Pty Ltd acquisition, the Group acquired a non interest-bearing loan of \$98,000.

## 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 36.

## 17. Provisions

	2015 \$'000	2014 \$'000
<b>Current</b>		
Employee benefits	12,580	10,527
Lease make good	817	325
Directors' retirement	195	190
<b>Total current provisions</b>	<b>13,592</b>	<b>11,042</b>
<b>Non-current</b>		
Employee benefits	1,123	969
Lease make good	2,437	825
<b>Total non-current provisions</b>	<b>3,560</b>	<b>1,794</b>

## Movement in provisions

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

	Lease Make Good \$'000	Directors' Retirement \$'000
<b>2015</b>		
<b>Current</b>		
Carrying amount at start of year	325	190
Charged to profit or loss		
- additional provision recognised	-	5
Provision recognised at acquisition	492	-
Carrying amount at the end of the period	817	195

	Lease Make Good \$'000
<b>2015</b>	
<b>Non-current</b>	
Carrying amount at start of year	825
Charged to profit or loss	
- additional provision recognised	142
Provision recognised at acquisition	1,470
Carrying amount at the end of the period	2,437

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 18. Contributed Equity

	2015 \$'000	2014 \$'000
<b>Issued capital</b>		
Ordinary shares fully paid		
<b>Issued capital held by Equity Compensation Plan</b>	<b>1,315,288</b>	1,336,065
Treasury shares	<b>(59,822)</b>	(41,651)
<b>Total contributed capital</b>	<b>1,255,466</b>	1,294,414

### (a) Movements in ordinary share capital – the Company

Details	Notes	Number of Shares	\$'000
<b>Balance at 1 February 2013</b>		1,162,669,614	363,841
Share buy-back	18(g)	(42,715,371)	(31,154)
Shares forfeited under the Employee Loan Funded Share Plans		(626,000)	(1,731)
Shares issued to the Employee Loan Funded Share Plans		626,000	476
<b>Balance at 31 January 2014</b>		1,119,954,243	331,432
New shares issued		5,072,476	3,018
Share buy-back	18(g)	(31,601,852)	(23,389)
Shares forfeited under the Employee Loan Funded Share Plans		(1,378,592)	(1,226)
Shares issued under the Employee Loan Funded Share Plans		1,378,592	820
<b>Balance at 31 January 2015</b>		1,093,424,867	310,655

### (b) Movements in ordinary share capital – Consolidated

Details	Notes	Number of Shares	\$'000
<b>Balance at 1 February 2013</b>			1,368,474
Share buy-back	18(g)	(42,715,371)	(31,154)
Shares forfeited under the Employee Loan Funded Share Plans		(626,000)	(1,731)
Shares issued to the Employee Loan Funded Share Plans		626,000	476
<b>Balance at 31 January 2014</b>			1,336,065
New shares issued		5,072,476	3,018
Share buy-back	18(g)	(31,601,852)	(23,389)
Shares forfeited under the Employee Loan Funded Share Plans		(1,378,592)	(1,226)
Shares issued under the Employee Loan Funded Share Plans		1,378,592	820
<b>Balance at 31 January 2015</b>			1,315,288

### (c) Movements in treasury share capital

Details	Number of Shares	\$'000
<b>Balance at 1 February 2013</b>	(46,574,930)	(31,248)
Shares bought on-market	(18,392,039)	(12,393)
Shares issued under short term incentive	611,210	-
Shares issued under performance rights	5,064,045	-
Employee shares exercised	742,638	735
Shares forfeited under the Employee Loan Funded Share Plans	626,000	1,731
Shares issued under the Employee Loan Funded Share Plans	(626,000)	(476)
<b>Balance at 31 January 2014</b>	(58,549,076)	(41,651)
Shares bought on-market	(24,000,000)	(18,098)
Shares issued under short term incentive	1,007,593	-
Shares issued to the Employee Loan Funded Share Plans	(5,072,476)	(3,018)
Employee shares exercised	4,696,401	2,539
Shares forfeited under the Employee Loan Funded Share Plans	1,378,592	1,226
Shares issued under the Employee Loan Funded Share Plans	(1,378,592)	(820)
<b>Balance at 31 January 2015</b>	(81,917,558)	(59,822)

### (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 Sigma Employee Share Administration Pty Ltd are 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.

### (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) Share buy-back

During 2012/13 year, the Company announced that as part of its ongoing capital management strategy, it would undertake an on-market share buy-back of up to 10% of its issued ordinary shares. The share buy-back commenced on 2 October 2012. A total of 31,601,852 (2014: 42,715,371) shares were bought back during the year at a total cost of \$23.4 million (2014: \$31.2million). The average price paid was \$0.74 (2014: \$0.73).

Of the 31,601,852 shares bought back during the year, the Group has cancelled 16,940,144 shares in the current year. The remaining 14,661,708 shares bought back were cancelled in February 2015.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 19. Reserves

	Foreign Currency Translation Reserve \$'000	Options/ Performance Rights Reserve \$'000	Derivative Hedge Reserve \$'000	Employee Share Reserve \$'000	Total \$'000
<b>Balance at 31 January 2013</b>	(42)	7,761	653	6,139	14,511
Foreign exchange translation expense	342	-	-	-	342
Options/performance rights expense	-	2,287	-	-	2,287
Dividends appropriated	-	-	-	1,483	1,483
Dividend applied to Equity Compensation Plan	-	-	-	(330)	(330)
Net movement in derivatives	-	-	(933)	-	(933)
Deferred income tax	(103)	-	280	-	177
<b>Balance at 31 January 2014</b>	<b>197</b>	<b>10,048</b>	<b>-</b>	<b>7,292</b>	<b>17,537</b>
Foreign exchange translation expense	83	-	-	-	83
Options/performance rights expense	-	2,291	-	-	2,291
Dividends appropriated	-	-	-	993	993
Dividend applied to Equity Compensation Plan	-	-	-	(493)	(493)
Deferred income tax	(25)	-	-	-	(25)
<b>Balance at 31 January 2015</b>	<b>255</b>	<b>12,339</b>	<b>-</b>	<b>7,792</b>	<b>20,386</b>

### 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 profit or loss and other 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.

#### 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 profit or loss and other comprehensive income.

#### Employee share reserve

This reserve is used to recognise dividends paid by the Company that were eliminated on consolidation on unvested shares held by the 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.

## 20. Expenditure Commitments

	Note	2015 \$'000	2014 \$'000
<b>Contracts for capital expenditure for which no amounts have been provided</b>		<b>2,265</b>	935
<b>Non-cancellable operating leases commitments</b>	20(a)		
Expenditure contracted but not provided for in the financial statements:			
- Payable not later than one year		<b>7,240</b>	5,454
- Payable later than one year but not later than five years		<b>15,275</b>	7,985
- Payable later than five years		<b>11,117</b>	11,530
		<b>33,632</b>	24,969

(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 five 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 three and five years.

## 21. Auditor's Remuneration

	2015 \$	2014 \$
During the year the auditors, and its network firms, of Sigma Pharmaceuticals Limited earned the following remuneration:		
<b>Deloitte Touche Tohmatsu</b>		
Audit and review of financial reports of the entity or any controlled entity	<b>471,960</b>	275,940
Other advisory services	<b>401,002</b>	23,550
<b>Total remuneration</b>	<b>872,962</b>	299,490

The Risk Management and Audit Committee (RMAC) has reviewed a summary of all non-audit services provided by the external auditors for the financial year ended 31 January 2015. 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.

## 22. 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 and 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

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 22. Key Management Personnel Compensation continued

### Individual Directors' and Executives' compensation disclosures

Information regarding individual Director and Executive compensation and some equity instruments disclosure as permitted by the Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 8 to 27.

The disclosures in the Remuneration Report are audited.

The aggregate compensation made to Key Management Personnel of the Group is set out below:

	2015 \$	2014 \$
Short-term employee benefits	3,973,761	3,291,328
Post-employment benefits	137,423	132,328
Long-term benefits	29,338	18,735
Share-based payments	1,616,571	1,765,591
	<b>5,757,093</b>	5,207,982

Disclosures relating to related party transactions with Directors or Key Management Personnel are set out in Note 23.

## 23. 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 30.

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

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 22 and in the Remuneration Report.

### Other transactions with Directors

#### 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 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 2015 was \$4,857,124 (2014: \$4,972,926).

The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 10 was \$382,475 (2014: \$446,958). 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 arm's-length dealings.

## 24. Business Combinations

### Subsidiaries acquired

2014	Principal Activity	Date of Acquisition	Proportion of Shares Acquired %	Consideration \$'000
Central Healthcare Pty Ltd, Central Healthcare Services Pty Ltd, PriceSave Pty Ltd and PharmaSave Australia Pty Ltd, collectively known as Central Healthcare Group	Central Healthcare Group is a wholesaler and distributor of pharmaceutical products to hospitals and retail pharmacies and is an approved CSO distributor in Victoria, New South Wales, ACT and Queensland. Central Healthcare also owns and manages the PharmaSave brand.	26 May 2014	100	41,300
Discount Drugstores Pty Ltd (DDS)	Discount Drugstores Pty Ltd is a discount pharmacy banner group providing buying and retail services to members.	25 September 2014	100	46,083
Member Benefits Australia Pty Ltd	Member Benefits Australia Pty Ltd provides products and services to their clients members on beneficial terms.	1 September 2014	51	nil

Central Healthcare Group acquisition is strategically important to the Group as it will open new avenues for growth and the Discount Drugstores Pty Ltd acquisition will broaden the Group's customer profile and complements the Group's existing pharmacy offer. Member Benefits Australia Pty Ltd has been acquired to broaden services provided to the Group's pharmacy members.

The fair value of consideration paid to acquire the 51% interest in Member Benefits Australia Pty Ltd was nil.

#### (a) Consideration transferred

Note	Central Healthcare Group \$'000	Discount Drugstores Pty Ltd \$'000	Member Benefits Australia Pty Ltd \$'000	Total \$'000
Cash paid	17,927	32,055	-	49,982
Contingent consideration	24(a)(i) 23,373	14,028	-	37,401
Total consideration	41,300	46,083	-	87,383

#### (i) Contingent consideration

The Group has agreed to pay the previous owners of Central Healthcare Group and Discount Drugstores Pty Ltd additional consideration based on the EBITDA achieved over the period 1 July 2014 to 30 June 2015. The contingent consideration is based on the estimated EBITDA for the 12 months ending 30 June 2015 times a multiple stipulated in the sale agreement.

#### (b) Acquisition-related costs

The Group incurred acquisition-related costs of \$307,000 (2014: \$662,000) on external legal fees and due diligence costs. These costs have been separately reported in the Group's statement of profit or loss and other comprehensive income.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 24. Business Combinations continued

### (c) Assets acquired and liabilities assumed at the date of acquisition

The following table summarises the recognised amounts of assets and liabilities acquired at the acquisition date and are determined on a provisional basis:

	Note	Central Healthcare Group \$'000	Discount Drugstores Pty Ltd \$'000	Member Benefits Australia Pty Ltd \$'000	Total \$'000
Cash and cash equivalents		1,805	6,184	72	8,061
Inventories		15,144	3	-	15,147
Prepayments		143	91	-	234
Trade and other receivables (i)	24(c)(i)	30,411	2,384	144	32,939
Property, plant and equipment	12	809	191	76	1,076
Intangibles	13	1,979	167	-	2,146
Net deferred tax assets		1,213	372	-	1,585
Trade and other payables		(42,098)	(1,971)	(98)	(44,167)
Provisions		(2,479)	(1,529)	-	(4,008)
Borrowings		(653)	-	(194)	(847)
<b>Net identifiable assets acquired</b>		<b>6,274</b>	<b>5,892</b>	<b>-</b>	<b>12,166</b>

(i) The trade receivable acquired comprised gross contractual amounts due of \$32,031,000 (Central Healthcare Group), \$2,547,000 (Discount Drugstores Pty Ltd) and \$144,000 (Member Benefits Australia Pty Ltd), of which \$3,178,000 (Central Healthcare Group) and \$573,000 (Discount Drugstores Pty Ltd) was expected to be uncollectible at the acquisition date.

### Fair values measured on a provisional basis

The following amounts have been measured on a provisional basis:

- The fair value of Central Healthcare Group, Discount Drugstores Pty Ltd and Member Benefits Australia Pty Ltd's potential intangible assets (supplier relationships, brands and franchise agreements) are pending completion of an independent valuation.
- Fair value of the assets and liabilities acquired as noted above.

If the new information obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

### (d) Provisional goodwill arising on acquisition

	Note	Central Healthcare Group \$'000	Discount Drugstores Pty Ltd \$'000	Member Benefits Australia Pty Ltd \$'000	Total \$'000
Total consideration	24(a)	41,300	46,083	-	87,383
Add: Non-controlling interests		-	-	-	-
Less: Fair value of identifiable net assets acquired	24(c)	(6,274)	(5,892)	-	(12,166)
Provisional goodwill arising on acquisition		35,026	40,191	-	75,217

The goodwill amount potentially includes identifiable intangibles such as brands and customer contracts. At 31 January 2015, no valuation has been allocated to identifiable intangibles and the identification and valuation will be finalised over the coming months.

### (e) Net cash outflow arising on acquisition

	2015 \$'000	2014 \$'000
Consideration paid in cash	49,982	-
Less: Cash and cash equivalent balances acquired	(8,061)	-
	41,921	-

### (f) Impact of acquisition on the results of the Group

Included in the profit for the year is \$1.6 million attributable to Central Healthcare Group, \$1.0 million attributable Discount Drugstores Pty Ltd and loss for the year of \$1,000 attributable to Member Benefits Australia Pty Ltd. Revenue for the year includes \$148.9 million in respect of Central Healthcare Group, \$6.1 million in respect of Discount Drugstores Pty Ltd and \$128,000 in respect of Member Benefits Australia Pty Ltd.

Had these business combinations been effected at 1 February 2014, the revenue of the Group for the year ended 31 January 2015 would have been \$3,268 million and the profit for the year would have been \$54.7 million.

## 25. Non-controlling Interest

See accounting policy in Note 2(a).

	Note	2015 \$'000	2014 \$'000
Balance at beginning of the year		-	-
Share of (loss) for the year		(1)	-
Non-controlling interests arising on the acquisition of Member Benefits Australia Pty Ltd	24(d)	-	-
Balance at end of year		(1)	-

## 26. Associates

	2015 \$'000	2014 \$'000
Interests in associates	7,934	-

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of Associate	Principal Activity	Place of Incorporation and Operation	Proportion of Ownership Interest Held by the Group	
			2015	2014
NostraData Pty Ltd	Collation and sale of data	Australia	51%	-

The above associate is accounted for using the equity method in these consolidated financial statements.

The Group acquired 51% of the ordinary shares for \$7,940,000 on the 12 November 2014. Although the Group holds majority of the shares, the acquired shares are non-voting and there are restrictions in the shareholder agreement that prevents the Group from directing the activities of the associate.

The following table analyses, in aggregate, the carrying amount and share of profit or loss and other comprehensive income of the associates.

	2015 \$'000	2014 \$'000
Carrying amount of interest in associates	7,934	-
Share of:		
- Loss from continuing operations for the period	(6)	-

As at 31 January 2015, the Group has a commitment to acquire an additional 24% of the ordinary shares of NostraData Pty Ltd on 31 December 2016.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 27. Guarantees

	2015 \$'000	2014 \$'000
Guarantees existed at the end of year in respect of:		
Other guarantees	2,515	2,424
Total	2,515	2,424

### Deed of Cross Guarantee

Under the terms of a Deed of Cross Guarantee dated 20 January 2006, entered into in accordance with the ASIC Class Order 98/1418, the Company has undertaken to meet any shortfall that might arise on the winding up of controlled entities that are party to the Deed (See Note 35).

## 28. Litigation Settlement Expense

### Vifor

During the prior year, Sigma Pharmaceuticals Limited reached an agreement with Vifor (International) Limited. The matter related to Sigma's injectable iron product, Ferrosig. The reported expense consists of agreed settlement amount plus legal costs. Sigma has retained the rights to sell the Ferrosig product in the Australian market.

## 29. Contingent Liability

### Shareholder class action

A contingent liability exists in respect of an insurer's right, in certain circumstances, to claw back insurance proceeds received in relation to the shareholder class action brought by Slater & Gordon on behalf of certain shareholders who purchased shares in Sigma between 7 September 2009 and 25 February 2010.

## 30. Details of Controlled Entities

	Country of Formation or Incorporation	Sigma Pharmaceuticals Group Direct or Indirect Interest in Ordinary Shares/Equity	
		2015 %	2014 %
<b>Sigma Pharmaceuticals Limited</b>	Australia		
<b>Controlled entities</b>			
Chemist Club Pty Limited <sup>a</sup>	Australia	100	100
Sigma Company Limited <sup>a</sup>	Australia	100	100
Allied Master Chemists of Australia Limited <sup>a</sup>	Australia	100	100
Guardian Pharmacies Australia Pty Ltd <sup>a</sup>	Australia	100	100
Sigma Employee Share Administration Pty Ltd	Australia	100	100
Sigma NZ Limited	New Zealand	100	100
Pharmacy Wholesalers (Wellington) Limited	New Zealand	100	100
QDL Limited <sup>a</sup>	Australia	100	100
Sigma (W.A.) Pty Ltd <sup>a</sup>	Australia	100	100
Central Healthcare Pty Ltd <sup>a</sup>	Australia	100	-
Central Healthcare Services Pty Ltd <sup>a</sup>	Australia	100	-
PriceSave Pty Ltd <sup>a</sup>	Australia	100	-
PharmaSave Pty Ltd <sup>a</sup>	Australia	100	-
Discount Drugstores Pty Ltd <sup>a</sup>	Australia	100	-
Member Benefits Australia Pty Ltd	Australia	51	-

a. These wholly-owned companies are subject to a Deed of Cross Guarantee (see Note 35).

## 31. 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:

<b>Issue date</b>	<b>Issue Price \$</b>	<b>Total Shares on Issue</b>
16 June 2006	2.48	685,000
19 January 2009	0.97	767,900
15 January 2010	1.00	723,000
23 May 2011	0.38	979,871
18 June 2012	0.60	1,094,740
01 July 2013	0.76	2,312,000
14 July 2014	0.75	2,444,000
		<b>9,006,511</b>

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 Performance 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. Predefined 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 14 to 15 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.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 31. Employee Share Plans and Share-based Payments continued

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
<b>2015</b>								
01/02/12	31/01/14	0.6003	611,210	-	611,210	-	-	-
01/03/13	31/01/14	0.6742	396,383	-	396,383	-	-	-
01/03/13	31/01/15	0.6742	396,382	-	-	-	396,382	396,382
01/02/14	31/01/15	0.5950	36,177	-	-	-	36,177	36,177
01/02/14	31/01/16	0.5950	36,176	-	-	-	36,176	-
01/02/15	31/01/16	0.7951	-	365,019	-	-	365,019	-
01/02/15	31/01/17	0.7951	-	365,019	-	-	365,019	-
<b>Total</b>			<b>1,476,328</b>	<b>730,038</b>	<b>1,007,593</b>	<b>-</b>	<b>1,198,773</b>	<b>432,559</b>
<b>2014</b>								
01/02/12	31/01/13	0.6003	611,210	-	611,210	-	-	-
01/02/12	31/01/14	0.6003	611,210	-	-	-	611,210	611,210
01/03/13	31/01/14	0.6742	396,383	-	-	-	396,383	396,383
01/03/13	31/01/15	0.6742	396,382	-	-	-	396,382	-
01/02/14	31/01/15	0.5950	-	36,177	-	-	36,177	-
01/02/14	31/01/16	0.5950	-	36,176	-	-	36,176	-
<b>Total</b>			<b>2,015,185</b>	<b>72,353</b>	<b>611,210</b>	<b>-</b>	<b>1,476,328</b>	<b>1,007,593</b>

### (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 predefined vesting conditions are met three years from grant date. (Details of the LTI Plan are set out on pages 16 to 17 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
<b>2015</b>								
28/06/11	20/06/16	0.505	10,510,733	-	2,532,289	-	7,978,444	-
04/07/11	04/07/16	0.540	1,639,925	-	1,639,925	-	-	-
01/02/12	31/01/17	0.575	5,132,331	-	-	-	5,132,331	-
01/02/12	31/01/17	0.540	3,784,034	-	-	-	3,784,034	-
01/02/13	31/01/18	0.670	16,656,570	-	-	-	16,656,570	-
01/02/14	31/01/19	0.595	-	17,115,552	-	-	17,115,552	-
<b>Total</b>			<b>37,723,593</b>	<b>17,115,552</b>	<b>4,172,214</b>	<b>-</b>	<b>50,666,931</b>	
<b>2014</b>								
28/06/11	20/06/16	0.505	10,510,733	-	-	-	10,510,733	-
04/07/11	04/07/16	0.540	1,639,925	-	-	-	1,639,925	-
01/02/12	31/01/17	0.575	5,808,052	-	-	675,721	5,132,331	-
01/02/12	31/01/17	0.540	3,784,034	-	-	-	3,784,034	-
01/02/13	31/01/18	0.670	-	17,346,707	-	690,137	16,656,570	-
<b>Total</b>			<b>21,742,744</b>	<b>17,346,707</b>	<b>-</b>	<b>1,365,858</b>	<b>37,723,593</b>	<b>-</b>

### (c) 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 the STI Plan and loan funded shares with ROIC vesting condition is the Black-Scholes pricing model, and loan funded shares with the TSR vesting condition are calculated using the 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 and unexercised are set out below:

	STI Plan Tranche 1 Granted 1 February 2014	STI Plan Tranche 2 Granted 1 February 2014	Loan Funded Shares Granted 1 February 2014	Loan Funded Shares Granted 1 February 2014
			ROIC option	TSR option
Fair value	\$0.5574	\$0.5221	\$0.1289	\$0.0893

### Inputs into the model:

Grant date share price	\$0.5950	\$0.5950	\$0.5950	\$0.5950
Exercise price	\$0.6058	\$0.6058	\$0.5950	\$0.5950
Expected volatility	-	-	30%	30%
Vesting life	1 year	2 years	3 years	3 years
Option life	1 year	2 years	5 years	5 years
Expected dividend yield	6.75%	6.75%	6.75%	6.75%
Risk free interest rate	-	-	3.0%	3.0%

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 31. Employee Share Plans and Share-based Payments continued

### (d) 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:

	2015 \$'000	2014 \$'000
Options issued under Executive STI Plan	319	304
Shares issued under Loan Funded Share Plan	1,972	1,612
Options issued under sign on performance rights	-	371
Total	2,291	2,287

## 32. Credit Facilities

	2015 \$'000	2014 \$'000
<b>Credit standby arrangements</b>		
Secured bank overdraft facilities	80,000	4,000
Amount of credit unused	80,000	4,000
Corporate credit card	3,124	3,000
Amount of credit unused	3,001	2,770
Westpac debtors securitisation facility available	95,000	-
Westpac debtors securitisation facility unused	95,000	-
Waratah debtors securitisation facility available	-	175,000
Waratah debtors securitisation facility unused	-	175,000

## 33. Notes to the Statement of Cash Flows

### (a) Reconciliation of cash and cash equivalents

Cash at the end of the financial period as shown in the Statement of Cash Flow is reconciled to the related items in the Statement of Financial Position as follows:

	2015 \$'000	2014 \$'000
Cash at bank and on hand	34,284	67,468
Cash and cash equivalents	34,284	67,468

## (b) Reconciliation of profit for the year to net cash flows from operating activities

	2015 \$'000	2014 \$'000
Profit for the year	52,772	53,536
Depreciation expense	5,301	5,810
Reversal of land and building impairment	-	(800)
Amortisation expense	2,257	1,270
Change in fair value of derivatives	18	-
Write back of derivative hedge reserve	-	(653)
Share-based payments expense	2,291	2,287
Profit on sale of property, plant and equipment	(160)	(10,973)
<i>Change in assets and liabilities:</i>		
Change in inventories	(13,846)	32,618
Change in net taxes receivable	18,560	8,574
Change in prepayments	(426)	135
Change in trade and other receivables	(23,224)	36,056
Change in trade creditors	4,895	(48,284)
Change in provisions	1,129	1,414
Change in other creditors and deferred income	11,747	(1,343)
<b>Net cash flows from operating activities</b>	<b>61,314</b>	<b>79,647</b>

## 34. Parent Company Financial Information

### (a) Summary financial information

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

	Note	2015 \$'000	2014 \$'000
<b>Statement of financial position</b>			
Current assets		21,779	27,488
<b>Total assets</b>		<b>385,384</b>	<b>391,326</b>
Current liabilities		56,076	37,581
<b>Total liabilities</b>		<b>56,116</b>	<b>37,603</b>
<b>Net assets</b>		<b>329,268</b>	<b>353,723</b>
<b>Equity</b>			
Issued capital	18(a)	310,655	331,432
Reserves		9,780	7,489
Accumulated profit		8,833	14,802
<b>Total equity</b>		<b>329,268</b>	<b>353,723</b>
<b>Profit for the year</b>		<b>16,531</b>	<b>27,834</b>
<b>Total comprehensive income for the year</b>		<b>16,531</b>	<b>27,834</b>

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 34. Parent Company Financial Information continued

### (b) Guarantees entered into by parent entity

	2015 \$'000	2014 \$'000
Carrying amount included in liabilities	-	-

The parent entity has provided financial guarantees in respect of the subsidiaries Westpac debtors securitisation facility. As at 31 January 2015 the balance of the facility is nil (2014: nil). The facility is also secured by way of deed over certain account receivables under the Westpac debtors securitisation facility.

In addition, there are cross guarantees given by the Company as described in Note 35. 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

Refer to Note 29 for comment on contingent liability. The parent entity did not have any other contingent liabilities as at 31 January 2015. For information about guarantees given by the parent entity, 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 2015 or 31 January 2014.

### (e) Parent company investment in subsidiary companies

The carrying value of the parent's investment in subsidiaries as at 31 January 2015 was \$363.5 million (2014: \$363.5 million).

### (f) Receivables from controlled entities

The parent entity did not have any impairment in respect of any intercompany loan receivable during the 2015 financial year (2014: \$4.3 million reversal). The parent loan receivable is not overdue and eliminates on consolidation.

## 35. 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 30 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 profit or loss and other comprehensive income and statement of financial position comprising the Company and those Australian-controlled entities that are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 31 January 2015, are set out below:

	2015 \$'000	2014 \$'000
<b>Sales revenue</b>	<b>3,142,126</b>	2,973,466
Cost of goods sold	<b>(2,907,282)</b>	(2,756,581)
<b>Gross profit</b>	<b>234,844</b>	216,885
Other revenue and income	<b>51,761</b>	51,224
Warehousing and delivery expenses	<b>(111,734)</b>	(102,267)
Sales and marketing expenses	<b>(45,813)</b>	(48,197)
Administration and other expenses	<b>(43,621)</b>	(37,169)
Net litigation settlement expense	-	(3,677)
Acquisition expenses	<b>(307)</b>	(662)
Depreciation and amortisation	<b>(7,366)</b>	(6,112)

	2015 \$'000	2014 \$'000
<b>Profit before financing costs</b>	<b>77,764</b>	70,025
Finance income	<b>1,515</b>	2,446
Financial expense	<b>(3,972)</b>	(4,429)
<b>Net financing expense</b>	<b>(2,457)</b>	(1,983)
Share of loss of equity accounted investees, net of tax	<b>(6)</b>	-
<b>Profit before income tax</b>	<b>75,301</b>	68,042
Income tax expense	<b>(22,753)</b>	(14,418)
<b>Profit for the year</b>	<b>52,548</b>	53,624
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in the fair value of cash flow hedges	<b>83</b>	(933)
Income tax relating to components of other comprehensive income	<b>(25)</b>	280
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>58</b>	(653)
<b>Total comprehensive income for the year</b>	<b>52,606</b>	52,971
<b>Summary of movements in consolidated accumulated losses</b>		
<b>Accumulated losses at the beginning of the financial period</b>	<b>(728,349)</b>	(736,245)
Profit for the year	<b>52,548</b>	53,624
Dividends	<b>(22,501)</b>	(45,728)
<b>Accumulated losses at the end of the financial period</b>	<b>(698,302)</b>	(728,349)
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	<b>33,378</b>	66,762
Trade and other receivables	<b>589,829</b>	557,361
Current income tax receivable	-	5,301
Inventories	<b>251,385</b>	222,392
Derivative financial instruments	-	18
Prepayments	<b>4,246</b>	3,586
<b>Total current assets</b>	<b>878,838</b>	855,420
<b>Non-current assets</b>		
Trade and other receivables	<b>4,738</b>	6,605
Property, plant and equipment	<b>57,651</b>	52,887
Intangible assets	<b>96,230</b>	20,367
Investments accounted for using the equity method	<b>7,934</b>	-
Net deferred tax assets	<b>7,708</b>	7,786
<b>Total non-current assets</b>	<b>174,261</b>	87,645
<b>Total assets</b>	<b>1,053,099</b>	943,065

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 35. Deed of Cross Guarantee continued

	2015 \$'000	2014 \$'000
<b>Current liabilities</b>		
Trade and other payables	427,714	338,228
Borrowings	291	-
Income tax payable	12,705	-
Provisions	13,592	11,042
Deferred income	1,104	252
<b>Total current liabilities</b>	<b>455,406</b>	<b>349,522</b>
<b>Non-current liabilities</b>		
Borrowings	179	-
Provisions	3,560	1,794
Deferred income	443	188
<b>Total non-current liabilities</b>	<b>4,182</b>	<b>1,982</b>
<b>Total liabilities</b>	<b>459,588</b>	<b>351,504</b>
<b>Net assets</b>	<b>593,511</b>	<b>591,561</b>
<b>Equity</b>		
Contributed equity	1,271,682	1,294,414
Reserves	20,131	25,496
Accumulated losses	(698,302)	(728,349)
<b>Total equity</b>	<b>593,511</b>	<b>591,561</b>

## 36. Financial Instruments

### Financial risk management

Financial 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.

The Group holds the following financial instruments:

	2015 \$'000	2014 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	34,284	67,468
Trade and other receivables	594,695	564,006
Derivatives	-	18
	<b>628,979</b>	631,492
<b>Financial liabilities</b>		
Trade and other payables	450,633	353,064
Borrowings	630	-
	<b>451,263</b>	353,064

#### (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.

Only a minor portion of the Group's supply contracts are sourced from overseas entities and payable in the corresponding local currency. The major currencies were principally United States dollars, Euros and New Zealand dollars. In order to protect against exchange rate movements, during the year the Group entered into forward exchange contracts to purchase United States dollars. These contracts are hedging highly probable inventory purchases and are timed to mature when payments for the purchases are scheduled to be made.

##### (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 Receivables Purchase Agreement with Westpac Limited (refer Note 16).

The Group did not enter into any interest rate hedge contracts during the year ended 31 January 2015 as the Group's interest rate exposure was minimal.

# Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2015

## 36. Financial Instruments continued

### (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 2015				31 January 2014			
	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
<b>Interest Rate Risk</b>								
<i>Financial assets</i>								
Cash and cash equivalents	34,284	2.0	(343)	343	67,468	2.2	(675)	675
Accounts receivables	578,115	-	-	-	521,932	-	-	-
Derivatives	-	-	-	-	18	-	-	-
<i>Financial liabilities</i>								
Trade payables	(373,883)	-	-	-	(327,491)	-	-	-
Borrowings	(630)	4.1	6	(6)	-	4.5	-	-
<b>Total (decrease)/increase</b>			<b>(337)</b>	<b>337</b>			<b>(675)</b>	<b>675</b>

### (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 and registers its title on the Personal Properties Securities Register, 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 27) 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 receivables purchase agreement debt with Westpac Limited has been classified as current as the loan has a maturity profile that varies between 30 and 90 days.

### **(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).

### **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**

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

There are no interest rate derivatives instruments at balance date.

## **37. Events Subsequent to Reporting Date**

### **(a) Dividends**

Since the end of the financial year and with franking credits now available, the Board of Directors have resolved to pay a final dividend of 2.0 cents per share and a special dividend of 1.0 cent per share, both fully franked, to be paid on 16 April 2015 to shareholders on the register at the ex-dividend date of 31 March 2015. The total amount payable is \$32,803,000.

# Directors' Declaration

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

(a) the financial statements and notes, set out on pages 29 to 77, 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 2015 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 30 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 2015 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

Melbourne  
18 March 2015



**Mr Mark Hooper**  
CEO and Managing Director

# Independent Auditor's Report

to the Members of Sigma Pharmaceuticals Limited

## Deloitte.

Deloitte Touche Tohmatsu  
ABN 74 490 121 060

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### Independent Auditor's Report to the members of Sigma Pharmaceuticals Limited

#### Report on the Financial Report

We have audited the accompanying financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 January 2015, the consolidated statement of profit or loss and other 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 29 to 78.

#### *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.

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# Independent Auditor's Report continued

to the Members of Sigma Pharmaceuticals Limited

## 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:

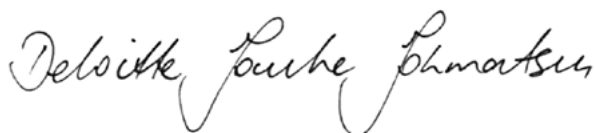
- (a) the financial report of Sigma Pharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2015 and of its performance for the year ended on that date; and
  - (ii) complying 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 9 to 27 of the directors' report for the year ended 31 January 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Tom Imbesi  
Partner  
Chartered Accountants  
Melbourne, 18 March 2015

# Shareholder Information

## Equity Security Holders

As at 20 March 2015, the Company has 1,093,424,867 ordinary shares on issue. Further details of the Company's equity securities are as follows:

### Largest holders

The following table shows the 20 largest registered shareholders as at 20 March 2015 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	222,205,286	20.32
JP Morgan Nominees Australia Limited	177,554,718	16.24
National Nominees Limited	130,396,077	11.93
Citicorp Nominees Pty Limited	101,909,838	9.32
BNP Paribas Noms Pty Ltd (DRP)	24,760,471	2.26
HSBC Custody Nominees (Australia) Limited (NT-Commonwealth Super Corp a/c)	7,901,688	0.72
QIC Limited	5,358,971	0.49
National Nominees Limited (DB a/c)	4,439,573	0.41
AMP Life Limited	4,278,163	0.39
Sigma Employee Share Admin P/L (Holding a/c)	3,678,047	0.34
Invia Custodian Pty Limited (Jellicoe Pty Ltd EQF a/c)	2,823,763	0.26
Mr Mark Robert Hooper	2,714,832	0.25
RBS Investor Services Australia Nominees Pty Limited (Bkcust a/c)	2,656,030	0.24
Invia Custodian Pty Limited (Jellicoe Pty Ltd SF PLN a/c)	2,206,104	0.20
Nabru Nominees Pty Limited (Nabru Nominees P/L S/F a/c)	2,198,995	0.20
Mr John Ayres	2,000,000	0.18
Citicorp Nominees Pty Limited (Colonial First State Inv a/c)	1,945,132	0.18
HSBC Custody Nominees (Australia) Limited GSCO ECA	1,706,653	0.16
Mr Lewis Craig Butler + Mr Neil Joseph Butler + Mrs Jennifer Ellen Butler (Butler Super Fund a/c)	1,585,548	0.15
Mr Peter Urban	1,438,262	0.13
<b>Total Top 20 Holders</b>	<b>703,758,151</b>	<b>64.36</b>
<b>Total Other Holders</b>	<b>389,666,716</b>	<b>35.64</b>
<b>Grand Total</b>	<b>1,093,424,867</b>	<b>100.00</b>

### Substantial shareholders

The following table shows the substantial holders as notified to the Company in substantial holding notices as at 20 March 2015:

Names	Noted Date of Change	Number of Equity Securities	Voting Power
Allan Gray Australia Pty Ltd	3 March 2015	112,319,420	10.27%
Vinva Investment Management	22 Jan 2015	91,480,027	8.37%

# Shareholder Information continued

## Distribution of Equity Securities

### Holdings Distribution

Range	No of Holders
100,001 and Over	465
50,001 to 100,000	621
10,001 to 50,000	4,862
5,001 to 10,000	3,462
1,001 to 5,000	7,549
1 to 1,000	1,431
Total	18,390
Unmarketable Parcels	410

### 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

Performance Rights have been issued to employees as part of the Executive Short Term Incentive Plan in the financial years of 2014 and 2015.

- Number of employees participating: 2014 Plan:2, 2015 Plan:4.
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 766,214.
- Participants do not have voting rights.

# Five Year Summary

	2011 <sup>1</sup> (\$m)	2012 (\$m)	2013 (\$m)	2014 (\$m)	2015 (\$m)
<b>Operating results</b>					
Sales revenue	3,339.6	2,853.9	2,942.4	2,973.5	<b>3,142.1</b>
EBITDA/(LBITDA)	(111.3)	74.7	28.8	76.6	<b>85.6</b>
EBIT/(LBIT)	(159.0)	69.2	23.1	70.3	<b>78.0</b>
Profit/(loss) before tax	(237.7)	70.8	24.9	68.3	<b>75.6</b>
Profit/(loss) after tax	(235.4)	49.2	18.7	53.5	<b>52.8</b>

<b>Financial position</b>					
Working capital	615.2	495.1	436.1	416.8	<b>455.6</b>
Fixed assets (incl intangibles)	67.6	83.2	87.8	75.4	<b>156.0</b>
Other assets and liabilities	(52.0)	(9.4)	4.2	19.1	<b>(72.2)</b>
Capital employed	630.8	568.9	528.1	511.3	<b>539.4</b>
Net debt/(net cash)	(202.1)	(113.6)	(82.7)	(67.5)	<b>(33.6)</b>
Net assets	832.9	682.5	610.8	578.8	<b>573.0</b>

	2011	2012	2013	2014	2015
<b>Shareholder related</b>					
Dividend					
– ordinary per share	-	3.5c	4.0c	4.0c	<b>2.0c</b>
– special per share	15.0c	1.5c	-	-	<b>1.0c</b>
– total dividends (\$m)	176.8	58.9	47.0	44.9	<b>32.8</b>
Earnings/(Loss) per share	(20.2c)	4.2c	1.6c	4.9c	<b>5.1c</b>
Dividend payout ratio	N/A	120%	251%	84%	<b>62%</b>
Net tangible asset backing per share	69c	57c	51c	50c	<b>43c</b>
Market capitalisation (year-end) (\$m)	524	707	773	672	<b>875</b>

<b>Ratios and returns</b>					
EBIT margin <sup>2</sup>	-4.8%	2.4%	0.8%	2.4%	<b>2.5%</b>
Gearing <sup>3</sup>	N/A	N/A	N/A	N/A	<b>N/A</b>
Interest cover <sup>4,5</sup>	(1.4x)	N/A	N/A	38.7x	<b>34.8x</b>

1. Includes the Pharmacy Division results. This business was sold to Aspen in 2011.

2. EBIT/Sales Revenue.

3. Net Debt/Capital Employed (year end). The Group had cash and cash equivalents over and above total debt.

4. Reported EBITDA/Net Financing Costs (times).

5. As at 31 January 2012 and 31 January 2013, the Group had positive Net financing income.

# Contacts

## Company Details

### Sigma Pharmaceuticals Limited

Registered Office  
3 Myer Place  
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[www.sigmaco.com.au](http://www.sigmaco.com.au)

## Corporate Head Office

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Tel +61 (0)3 9215 9215  
Fax +61 (0)3 9215 9188

## Directors and Senior Management

Refer to page 22 of the Annual Review  
or visit [www.sigmaco.com.au](http://www.sigmaco.com.au)

## Company Secretary

Sue Morgan  
3 Myer Place  
Rowville VIC 3178 Australia

## Auditors

Deloitte Touche Tohmatsu

## Share Registry Details

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## Healthcare Offices

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## CHS Offices

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## Pharmasave Offices

280 City Road  
Southbank VIC 3006 Australia  
Tel +61 (0)3 9981 1200

## Discount Drug Stores Offices

Level 1, 36 Sherwood Road  
Toowong QLD 4066 Australia  
Tel +61 (0)7 3720 5500

## Recent Dividends

Dividend	Date Paid	Cents Per Share
2015 Special	16 April 2015	1.00
2015 Final	16 April 2015	2.00
2015 Interim	-	-#
2014 Final	30 April 2014	2.00
2014 Interim	23 Oct 2013	2.00
2013 Final	19 Apr 2013	2.00
2013 Interim	16 Oct 2012	2.00
2013 Special	27 Apr 2012	1.50
2012 Final	27 Apr 2012	2.00
2012 Interim	30 Nov 2011	1.50
2012 Special	11 May 2011	15.0

# Due to insufficient franking credits, no 2015 interim dividend was paid.

## Shareholder Calendar\*

2014/15 Annual General Meeting	6 May 2015
Half-year results	10 September 2015
Record date	21 September 2015
Ex-dividend	23 September 2015
Dividend payment date	5 October 2015
Full-year results	16 March 2016
Record date	28 March 2016
Ex-dividend	30 March 2016
Final dividend payment	14 April 2016
2015/16 Annual General Meeting	4 May 2016

\* Dates may be subject to change.

## For investor, media or government enquiries in relation to Sigma or this report, contact

### Gary Woodford

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