

**Sigma Pharmaceuticals Limited**  
ABN 15 088 417 403

**Australian Stock Exchange Listing Rules  
Disclosure**

**Full Year Financial Report**

**For the financial year ended 31 January 2015**

<u>Contents</u>	<u>Page</u>
Results for Announcement to the Market	2
Directors' Report	6
Remuneration Report	12
Auditor's Independence Declaration	29
Financial Statements	30
Independent Auditor's Report	85

Sigma will host a presentation to analysts and media on Thursday 19 March 2015 at 10.00 am with all presentation material posted to Sigma's website ([www.sigmaco.com.au](http://www.sigmaco.com.au))

For further information, please contact:

Mark Hooper +61 3 9215 9215  
Jeff Sells +61 3 9215 9215  
Gary Woodford +61 3 9215 9215  
[Investor.relations@signet.com.au](mailto:Investor.relations@signet.com.au)

# Sigma Pharmaceuticals Limited

ABN 15 088 417 403

## Full Year Financial Report

For the financial year ended 31 January 2015  
compared to the prior year ended 31 January 2014

### Results for Announcement to the Market

Provided below are the Results for Announcement to the Market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the Consolidated Entity comprising Sigma Pharmaceuticals Limited and its controlled entities for the year ended 31 January 2015 (the 'financial year') compared with the year ended 31 January 2014 ('comparative year').

#### Highlights

- Revenue up 5.7% to now exceed \$3.1 billion.
- Reported EBIT up 11.0% to \$78.0 million, with over half driven by organic growth.
- Final dividend of 2.0 cents per share plus special dividend of 1 cent per share, both fully franked.
- Strong Balance sheet with net cash of \$33.6 million.

#### Consolidated results

	31 January 2015 (\$'000)	31 January 2014 (\$'000)	Movement (\$'000)	Movement per cent
Revenue from continuing operations	3,142,126	2,973,466	168,660	5.7%
Profit after tax attributable to equity holders of Sigma Pharmaceuticals Limited	52,773	53,536	(763)	(1.4%)
Net tangible assets per share	\$0.43	\$0.50	(\$0.07)	(14.0%)

\*For an explanation of the movement refer to the financial performance section of the Directors' Report.

#### 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. The ex-dividend date is 31 March 2015. The record date is 2 April 2015. The financial impact of these dividends amounting to \$32.8 million has not been recognised in the Financial Statements for the year ended 31 January 2015 and will be recognised in subsequent Financial Statements.

The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Franked cents per share at 30% tax rate	Total dividends \$m
2 April 2015	16 April 2015	2.0	2.0	\$21.9
2 April 2015	16 April 2015	1.0	1.0	\$10.9
9 April 2014	30 April 2014	2.0	2.0	\$22.5

**Sigma Pharmaceuticals Limited**  
**ABN 15 088 417 403**

**Shareholder's Calendar**

Results announced	19 March 2015
Ex-dividend date	31 March 2015
Record Date	2 April 2015
Dividend payment date	16 April 2015

Annual General Meeting Melbourne            11.00 am 6 May 2015

NB - Dates are subject to change.

**Stakeholder Queries**

*Share Registry Enquires:*

Link Market Services Limited  
Locked Bag A14  
Sydney South, NSW 1235  
Australia

Telephone (within Australia): 1300 139 653

E-mail: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)

Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

*Company Enquiries:*

Mark Hooper	Jeff Sells	Gary Woodford
Managing Director	Chief Financial Officer	Manager Corporate Affairs

PO Box 2890  
Rowville VIC 3178  
Australia

Telephone: 03 9215 9215

Fax: 03 9215 9188

The Final Report and other company information can be found on Sigma's website at [www.sigmaco.com.au](http://www.sigmaco.com.au)

SIGMA PHARMACEUTICALS LIMITED  
Registered Office:

ABN 15 088 417 403  
3 Myer Place, Rowville VIC 3178

## **FINANCIAL STATEMENTS**

**For the financial year ended**

**31 January 2015**

## Contents

Directors' Report	6
Auditor's independence declaration	29
Consolidated statement of profit or loss and other comprehensive income	30
Consolidated statement of financial position	31
Consolidated statement of changes in equity	32
Consolidated statement of cash flows	33
Notes to the consolidated financial statements	34
Directors' declaration	84
Independent auditor's report to the members	85

## 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 9 monthly scheduled meetings and 2 ad-hoc meetings.

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

Directors	Board of Directors' Meetings (Monthly Scheduled)		Board of Directors' Meetings (Unscheduled)		Risk Management & Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
	No. held during the term	No. Attended	No. held during the term	No. Attended	No. held during the term	No. attended (members only)	No. held during the term	No. 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

## Directors' Report continued

### 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 (or EBIT), and profit after income tax (NPAT) is reconciled as follows:

\$'000	2015	2014
<b>Reported EBIT</b>	<b>78,049</b>	<b>70,315</b>
<u>Add back</u>		
Net litigation settlement expense	0	3,677
Acquisition expenses	307	662
Harrisons 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>	<b>71,160</b>

\$'000	2015	2014
<b>Reported NPAT</b>	<b>52,773</b>	<b>53,536</b>
<u>Add back</u>		
Net litigation settlement expense <sup>1</sup>	0	2,574
Acquisition expenses	307	662
Harrisons 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>	<b>51,048</b>

<sup>1</sup> 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;
- 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 focussed on broadening the revenue base, achieving operational efficiencies as well as reducing customer discounts during the year.

## Directors' Report continued

---

### Financial Performance (continued)

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.

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 for the year. 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 buyback 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:



## Directors' Report continued

### Financial Position (continued)

\$'000	2015	2014
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>	<b>416,833</b>
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 focussed 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;
- 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, continued emphasis on tightening customer trading terms, and continued 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 which 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.

## Directors' Report continued

---

### Material Risks (continued)

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 agreement 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.

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 license 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 programme 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 both in terms of loss of revenue and potentially require 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 licenced 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 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' 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.

## Directors' Report continued

---

### Directors' and officers' indemnities and insurance (continued)

During the financial year, the Company indemnified Linda Nicholls and Brian Jamieson (Non-Executive Directors), Jeff Sells and Sue Morgan (Officers) for legal costs in complying with ASIC Notices. The amount paid by the Company was \$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 29.

### 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.

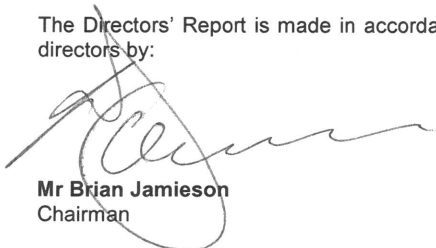
### Directors' and Executive Officers' remuneration policy

Details of the Group's Remuneration Policy in respect of the Directors and Senior Managers are included in the Remuneration Report on pages 12 to 28. 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**

**Introduction**..... 13

**Remuneration Report**..... 14

**Remuneration Governance**..... 14

**Remuneration Strategy and Principles** ..... 14

**Non-Executive Director Remuneration** ..... 15

**Executive Remuneration**..... 16

    Fixed Remuneration ..... 17

    Short Term Incentive ..... 17

    Long Term Incentive ..... 18

**Linking Executive Remuneration and Performance** ..... 20

    Company Performance and STI Outcomes..... 20

    Company Performance and LTI Outcomes ..... 21

**Other Remuneration Disclosures** ..... 22

    Equity Restrictions ..... 22

    Clawback Arrangements..... 22

    Employee Share Plan ..... 22

    Loans to Executives..... 22

    Transactions with Directors ..... 22

    Service Agreements ..... 22

**TABLE 1: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2014/15** ..... 23

**TABLE 2: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2013/14** ..... 24

**TABLE 3: Performance rights: details of movement during the financial year 2014/15** ..... 25

**TABLE 4: LTI Loan funded shares: details of movement during the financial year 2014/15** ..... 26

**TABLE 5a: Share holdings of key management personnel** ..... 27

**TABLE 5b: Performance Rights and Options (Loan Funded Shares) holdings of key management personnel** ..... 28

## 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 20)
- After testing the vesting conditions, 100% of the 2012 Long Term Incentive (LTI) vested on 31 January 2015 (set out on page 21)
- 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	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:

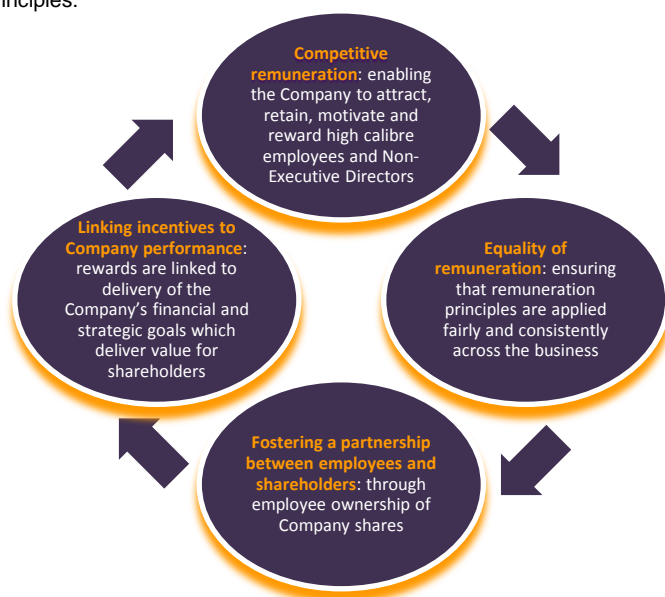
Name	Role
Mr D Bayes	Chairman
Mr R Gunston	Member
Mr D Manuel	Member

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 page 23.

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.

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	\$286,624	\$286,624
Non-Executive Director	\$108,160	\$108,160
Risk Management and Audit Committee- Chair	\$60,570	\$60,570
Remuneration and Nomination Committee- Chair	\$36,774	\$36,774
Risk Management and Audit Committee- Member	\$30,285	\$30,285
Remuneration and Nomination Committee- Member	\$18,387	\$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	2014/15	189,621	5,029	2.64%	-	194,650
	2013/14	184,451	5,170	2.79%	-	189,621

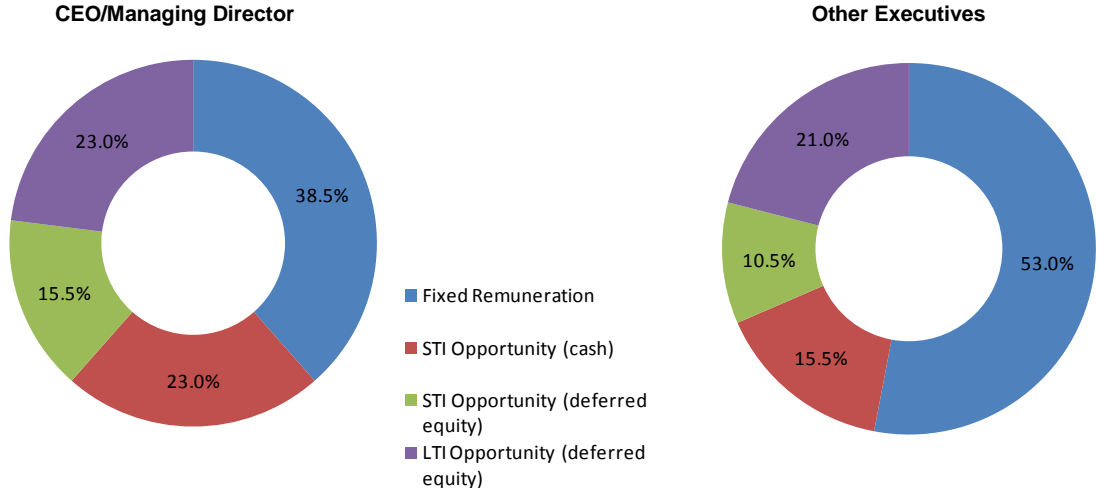
## Executive Remuneration

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.

Fixed Remuneration	At-risk Remuneration		Total Reward
	Short Term Incentive (STI)	Long Term Incentive (LTI)	
<b>Delivery mechanism</b>	<b>Delivery mechanism</b>	<b>Delivery mechanism</b>	<b>Strategic objectives</b>
<ul style="list-style-type: none"> <li>100% cash payment consisting of base salary and statutory superannuation contributions</li> </ul>	<ul style="list-style-type: none"> <li>60% paid in cash</li> <li>40% paid in performance rights which are deferred for 1 and 2 years (50% each year) and subject to service and forfeiture conditions</li> </ul>	<ul style="list-style-type: none"> <li>100% delivered via shares in the Company- allocated upfront pursuant to Company loan</li> <li>3 year performance period subject to service and forfeiture conditions</li> </ul>	<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>
<b>Considerations</b>	<b>Performance measures</b>	<b>Performance measures</b>	
<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>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 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 Net Profit After Tax (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>Absolute TSR</b></p> <ul style="list-style-type: none"> <li>50% of available LTI is measured against absolute Total Shareholder Return (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 &amp; 2013 LTI plans)</li> </ul>	
<b>Strategic objectives</b>	<b>Strategic objectives</b>	<b>Strategic objectives</b>	
<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>	<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>	<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 which 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>	



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>	<p>100% of fixed remuneration for the CEO/Managing Director. 60% of STI reward is paid in cash and 40% in deferred equity.</p> <p>50% of fixed remuneration for other Executives. 60% of STI reward is paid in cash and 40% in deferred equity.</p>
<b>Hurdle Requirement</b>	<p>A 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.</p> <p>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.</p> <p>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.</p>
<b>Performance Measures</b>	<p>50% of maximum STI reward relate to Group financial measures, specifically 25% each is weighted against ROIC and NPAT.</p>
<b>Financial</b>	<p>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.</p> <p>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.</p> <p>NPAT was selected as an appropriate performance measure as it assesses overall Company performance and the generation of shareholder value.</p> <p>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.</p>

<b>Performance Measures</b> <b>Non-financial</b>	<p>50% of maximum STI reward relate to non-financial measures, specifically:</p> <p>CEO/Managing Director - business performance, business development and safety.</p> <p>Other Executives - financial and operational performance, continuous improvement, delivery of key strategic programs, operational cost/efficiency and safety.</p> <p>Each non-financial measure is selected based on its alignment with key strategic initiatives that lead to increased shareholder value.</p>
<b>Governance</b>	<p>All performance measures under the STI 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 the CEO/Managing Director.</p> <p>The CEO sets the targets and assesses the performance of other Executives.</p> <p>The Board, on recommendation from the Remuneration and Nomination Committee, approves STI payments for the CEO/Managing Director and other Executives.</p> <p>Under the STI plan, the Board has discretion to adjust STI outcomes based on the achievements which are consistent with the Group's strategic priorities and in the opinion of the Board enhance shareholder value.</p>
<b>Reward Mechanism</b>	<p>60% of awarded STI is paid in cash upon Board approval of the audited year-end accounts.</p> <p>40% of awarded STI is delivered in performance rights which are deferred for 1 and 2 years (50% each year) and are subject to service and forfeiture conditions.</p> <p>No dividend is payable on deferred rights.</p> <p>Deferring part of the STI reward in performance rights:</p> <ul style="list-style-type: none"> <li>• ensures close alignment exists between the interests of Executives and shareholders through increased shareholding;</li> <li>• instils an appropriate level of focus on business performance beyond the current year and supports the consistent achievement of targets; and</li> <li>• acts as a retention tool where deferred rights are typically forfeited in the case of resignation.</li> </ul>
<b>Financial Year Outcome</b>	<p>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.</p> <p>Refer to page 20 for further details.</p>
<b>Long Term Incentive</b>	
<p>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 which 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.</p>	
<p>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.</p>	
<p>To gain access to the shares, the Executive must repay the outstanding loan following successful testing of the vesting conditions.</p>	
<b>Component</b>	<b>Commentary</b>
<b>Maximum LTI Reward Value</b>	<p>60% of fixed remuneration for the CEO/Managing Director.</p> <p>40% of fixed remuneration for other Executives.</p>
<b>Performance Period</b>	<p>Three financial years commencing on 1 February in the year of the grant.</p> <p>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.</p> <p>The three year period also reflects the competitive market practice in attracting, retaining and rewarding high calibre executives, as 70% of ASX200 companies had a vesting period of three years or less for their LTI plans during the 2014 financial year.</p>
<b>Delivery Mechanism</b>	<p>Loan Funded Shares</p> <p>Executives are provided with an interest free limited recourse loan to fund the acquisition of shares in the Company. The loan period is 5 years and runs concurrently with the 3 year</p>

---

performance period, thus providing a further 2 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:

- the outstanding loan less any repayments, and
- the market value of the vested shares.

The shares allocated to Executives for the 2014 LTI plan were purchased on market and/or were previously forfeited shares.

---

#### **Vesting Conditions**

50% of shares will vest if the absolute Total Shareholder Return (TSR) vesting condition is achieved:

- Absolute TSR of 50% or higher during the performance period

Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits) / Sigma share price at the start of the performance period

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.

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.

The remaining 50% of shares will vest if the average pre-tax ROIC vesting condition is achieved:

1. Average pre-tax ROIC of 15% during the performance period (14% for the 2012 & 2013 LTI plans)

Pre-tax ROIC = EBIT from continuing operations / (Total Shareholder Funds + Net Debt)

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.

ROIC was selected as an appropriate vesting condition as it measures capital management effectiveness, including outcomes of multi-year investment decisions.

---

#### **Re-testing**

No re-testing applies- shares that do not vest after testing lapse.

---

#### **Exercise Price**

Issue price (market price on grant date).

---

#### **Disposal Restrictions**

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.

---

#### **Forfeiture Conditions**

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.

In the event of summary dismissal, unvested shares are forfeited as are any vested shares that remain subject to an outstanding loan balance.

In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.

---

#### **Governance**

All performance measures under the LTI are clearly defined and measurable.

The Board, on recommendation from the Remuneration and Nomination Committee, approves the targets and assesses the performance outcome of each LTI plan.

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.

Under the LTI plan, the Board has discretion to adjust LTI outcomes based on the

---

achievements which are consistent with the Group's strategic priorities and in the opinion of the Board enhance shareholder value.

**Financial Year Outcomes** After testing the vesting conditions, 100% of the 2012 LTI Loan Funded Shares vested on 31 January 2015. Refer to page 21 for further details.

Table 3 on page 25 and Table 4 on page 26 set out the movements of performance rights and loan funded shares during the financial year.

### 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 (\$)²	0.765	0.629	0.692	0.570	0.432
Dividends paid in the financial year (cps)	2.0	4.0	5.5	16.5³	-
TSR⁴	26.2%	(0.8%)	35.2%	86.3%	
Pre-tax ROIC⁵	15.6%⁸	14.6%⁷	13.5%⁶	12.4%	
EBIT (\$m)	78.4⁹	74.7⁷	71.1⁶	69.2	(159.0)
NPAT (\$m)	53.0⁹	56.8⁷	52.3⁶	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 \$¹	% STI Forfeited	% STI Paid	STI Cash Payment \$	STI Deferred Equity \$²
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%	-	-
<b>TOTAL</b>				<b>820,281</b>	<b>546,854</b>			<b>65,750</b>	<b>43,833</b>

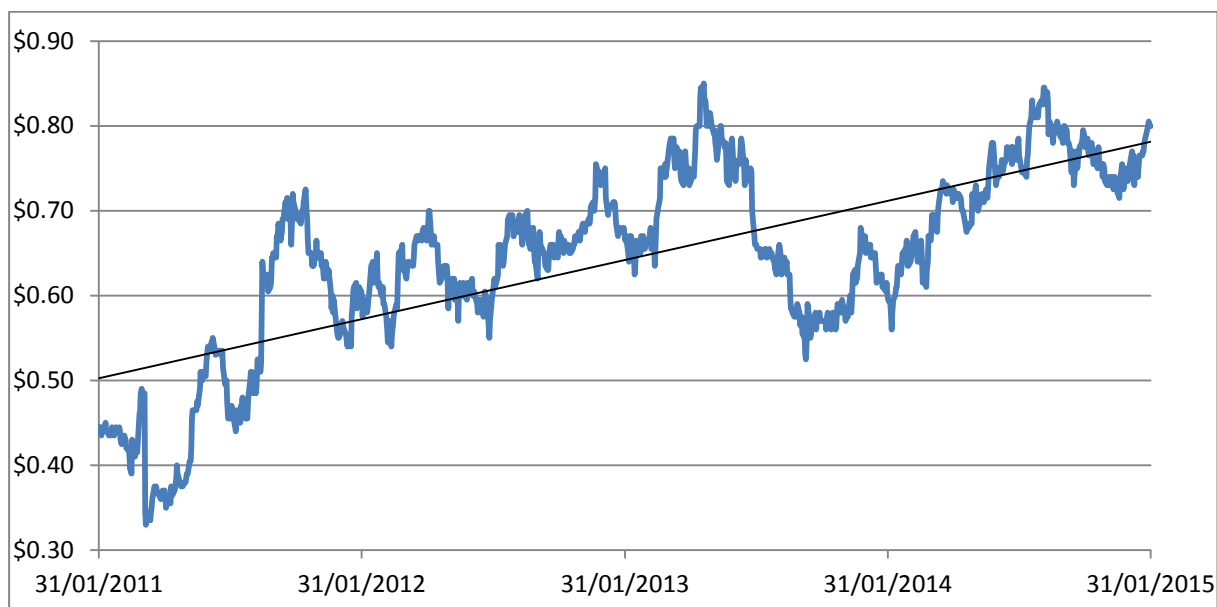
1 50% of the deferred equity will each vest on 31 January 2016 and 31 January 2017 respectively.

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 Loan Funded Share Plan (LTI) 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 19. 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 page 26 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 19. 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 page 26 sets out the details of the 2011 LTI plan vested to the Executives.

## 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 3 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.

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

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

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.

**TABLE 1: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2014/15**

	Short Term Benefits					Post-employment Benefits			Other Long Term Benefits <sup>1</sup>	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including Value in Share-Based Plans	Share Based Payments as Proportion of Remuneration <sup>8</sup>
	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				Performance Rights <sup>6</sup>	Loan Funded Shares <sup>7</sup>		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>NON-EXECUTIVE DIRECTORS</b>															
Mr B Jamieson	295,191	n/a	n/a	n/a	4,755	18,363	n/a	n/a	n/a	-	318,309	n/a	n/a	318,309	0%
Mr D Bayes	108,160	67,059	n/a	n/a	4,755	16,463	n/a	n/a	n/a	-	196,437	n/a	n/a	196,437	0%
Mr R Gunston	108,160	48,672	n/a	n/a	4,755	14,736	n/a	n/a	n/a	-	176,323	n/a	n/a	176,323	0%
Mr D Manuel	108,160	18,387	n/a	n/a	4,755	11,890	n/a	n/a	n/a	-	143,192	n/a	n/a	143,192	0%
Ms L Nicholls AO	108,160	60,570	n/a	n/a	4,755	15,853	5,029	-	n/a	-	194,367	n/a	n/a	194,367	0%
<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>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>
<b>EXECUTIVES</b>															
Mr M Hooper	1,162,562	n/a	566,931	n/a	4,755	18,363	n/a	n/a	16,618	-	1,769,229	207,688	849,955	2,826,872	37%
Mr G Dunne	546,543	n/a	134,400	n/a	4,755	18,363	n/a	n/a	5,577	-	709,638	49,337	242,231	1,001,206	29%
Mr J Sells	483,816	n/a	118,950	n/a	4,755	18,363	n/a	n/a	7,143	-	633,027	41,553	225,807	900,387	30%
<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>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>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>	<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>

<sup>1</sup> Includes amounts in respect to long service leave expense movement.

<sup>2</sup> For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 15. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

<sup>3</sup> Represents cash payments in respect to the 2014/15 STI plan.

<sup>4</sup> Includes amounts paid for Directors' and Officers' insurance.

<sup>5</sup> Interest on accrued retirement benefit as described on page 15.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Includes amounts expensed in relation to STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

**TABLE 2: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2013/14**

	Short Term Benefits					Post-employment Benefits			Other Long Term Benefits <sup>1</sup>	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including Value in Share-Based Plans	Share Based Payments as Proportion of Remuneration <sup>8</sup>
	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				Performance Rights <sup>6</sup>	Loan Funded Shares <sup>7</sup>		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>NON-EXECUTIVE DIRECTORS</b>															
Mr B Jamieson	292,603	n/a	n/a	n/a	5,301	17,231	n/a	n/a	n/a	-	315,135	n/a	n/a	315,135	0%
Mr D Bayes	107,120	66,414	n/a	n/a	5,301	15,874	n/a	n/a	n/a	-	194,709	n/a	n/a	194,709	0%
Mr R Gunston	107,120	63,787	n/a	n/a	5,301	15,610	n/a	n/a	n/a	-	191,818	n/a	n/a	191,818	0%
Mr D Manuel	107,120	18,210	n/a	n/a	5,301	11,464	n/a	n/a	n/a	-	142,095	n/a	n/a	142,095	0%
Ms L Nicholls AO	107,120	59,987	n/a	n/a	5,301	15,286	5,170	-	n/a	-	192,864	n/a	n/a	192,864	0%
<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>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>
<b>EXECUTIVES</b>															
Mr M Hooper	1,196,984	n/a	53,150	n/a	5,301	17,231	n/a	n/a	11,259	-	1,283,925	488,493	729,918	2,502,336	49%
Mr G Dunne	558,255	n/a	12,600	n/a	5,301	17,231	n/a	n/a	2,590	-	595,977	38,354	205,569	839,900	29%
Mr J Sells	498,450	n/a	-	n/a	5,301	17,231	n/a	n/a	4,886	-	525,868	113,333	189,924	829,125	37%
<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>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>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>	<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>

<sup>1</sup> Includes amounts in respect to long service leave expense movement.

<sup>2</sup> For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 15. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

<sup>3</sup> Represents cash payments in respect to the 2013/14 STI plan.

<sup>4</sup> Includes amounts paid for Directors' and Officers' insurance.

<sup>5</sup> Interest on accrued retirement benefit as described on page 15.

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> 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.



**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 Shares Rights Issued	Fair Value of Rights at Grant Date \$	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
<b>Mr M Hooper</b>										
STI Deferred Equity	1/02/2013	0.5799	240,039	139,199	31/01/2015	-	240,039	-	240,039	-
	1/02/2014	0.5574	29,244	16,301	31/01/2015	-	-	29,244	29,244	-
	1/02/2014	0.5221	29,244	15,268	31/01/2016	-	-	29,244	-	29,244
	1/02/2015	0.7620	237,677	181,110	31/01/2016	-	-	237,677	-	237,677
	1/02/2015	0.7257	237,677	172,482	31/01/2017	-	-	237,677	-	237,677
<b>Mr G Dunne</b>										
STI Deferred Equity	1/02/2013	0.5799	57,429	33,303	31/01/2015	-	57,429	-	57,429	-
	1/02/2014	0.5574	6,933	3,864	31/01/2015	-	-	6,933	6,933	-
	1/02/2014	0.5221	6,932	3,619	31/01/2016	-	-	6,932	-	6,932
	1/02/2015	0.7620	56,346	42,936	31/01/2016	-	-	56,346	-	56,346
	1/02/2015	0.7257	56,345	40,890	31/01/2017	-	-	56,345	-	56,345
<b>Mr J Sells</b>										
STI Deferred Equity	1/02/2013	0.5799	54,270	31,471	31/01/2015	-	54,270	-	54,270	-
	1/02/2015	0.7620	49,868	37,999	31/01/2016	-	-	49,868	-	49,868
	1/02/2015	0.7257	49,867	36,188	31/01/2017	-	-	49,867	-	49,867

<sup>1</sup> For accounting purposes, the fair value of performance rights is calculated using the Black-Scholes option pricing model.

<sup>2</sup> 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 Grant Date <sup>1</sup> \$	Exercise Price	Exercise Date <sup>2</sup>	Number of Loan Funded Shares						Loan Value and Balance <sup>3</sup>			
						Balance at 01/02/14 <sup>4</sup>	Granted During the Year	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 1/02/14 \$	Loan Repayments During the Year <sup>5</sup> \$	Loan Balance at 31/01/15 \$
Mr M Hooper	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	5,372,395	-	5,372,395	-	-	5,372,395	2,713,059	2,261,394	82,121	2,179,273
	1/02/2012	0.5400	0.2003	0.5400	1/02/2015	3,784,034	-	3,784,034	-	-	3,784,034	2,043,378	1,869,853	57,842	1,812,011
	1/02/2013	0.6700	0.1160	0.6700	1/02/2016	6,623,452	-	-	-	-	6,623,452	4,437,713	4,235,225	101,244	4,133,981
	1/02/2014	0.5950	0.1091	0.5950	1/02/2017	-	6,848,292	-	-	-	6,848,292	4,074,734	4,074,734	104,681	3,970,053
Mr G Dunne	4/07/2011	0.5400	0.1319	0.5400	4/07/2014	1,639,925	-	1,639,925	-	1,639,925	-	885,560	747,689	747,689	-
	1/02/2012	0.5750	0.1417	0.5750	1/02/2015	1,155,078	-	1,155,078	-	-	1,155,078	664,170	580,303	17,656	562,647
	1/02/2013	0.6700	0.1160	0.6700	1/02/2016	2,041,251	-	-	-	-	2,041,251	1,367,638	1,305,234	31,202	1,274,032
	1/02/2014	0.5950	0.1091	0.5950	1/02/2017	-	2,164,661	-	-	-	2,164,661	1,287,973	1,287,973	33,088	1,254,885
Mr J Sells	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	1,549,729	-	1,549,729	-	-	1,549,729	782,613	652,326	23,689	628,637
	1/02/2012	0.5750	0.1417	0.5750	1/02/2015	1,091,548	-	1,091,548	-	-	1,091,548	627,640	548,386	16,685	531,701
	1/02/2013	0.6700	0.1160	0.6700	1/02/2016	1,928,982	-	-	-	-	1,928,982	1,292,418	1,233,446	29,486	1,203,960
	1/02/2014	0.5950	0.1091	0.5950	1/02/2017	-	2,010,042	-	-	-	2,010,042	1,195,975	1,195,975	30,725	1,165,250

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

<sup>2</sup> 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.

<sup>3</sup> Loan value and balance are rounded to the nearest whole number.

<sup>4</sup> 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.

<sup>5</sup> The loan repayments represent the value of post-tax dividends paid during the 2014/2015 financial year that was applied to the outstanding loan balances, as well as any loan repayments made by the Executive.

**TABLE 5a: Share holdings of key management personnel**

<b>2015</b>	<b>Number of Shares at 01/02/2014</b>	<b>Number of Shares acquired through Share Plans during the year</b>	<b>Number of Shares purchased during the year</b>	<b>Number of Shares sold during the year</b>	<b>Other Changes</b>	<b>Number of shares at 31/01/2015</b>
<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>

<b>2014</b>	<b>Number of Shares at 01/02/2013</b>	<b>Number of Shares acquired through Share Plans during the year</b>	<b>Number of Shares purchased during the year</b>	<b>Number of Shares sold during the year</b>	<b>Other Changes</b>	<b>Number of shares at 31/01/2014</b>
<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**

2015	Number of Rights/Options at 01/02/2014	Number of Rights/Options granted through Share Plans during the year	Number of Rights/Options Exercised during the year	Number of Rights/Options Lapsed during the year	Number of Rights/Options at 31/01/2015
<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>

2014	Number of Rights/Options at 01/02/2013	Number of Rights/Options granted through Share Plans during the year	Number of Rights/Options Exercised during the year	Number of Rights/Options Lapsed during the year	Number of Rights/Options at 31/01/2014
<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>

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

18 March 2015

Dear Board Members

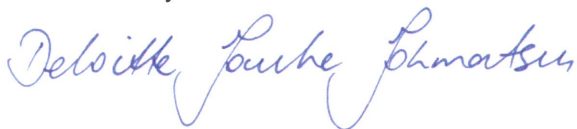
### **Sigma Pharmaceuticals Limited**

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

# 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>			
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>	<b>855,998</b>
<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>	<b>89,171</b>
<b>Total assets</b>		<b>1,055,663</b>	<b>945,169</b>
<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>	<b>364,358</b>
<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>	<b>1,982</b>
<b>Total liabilities</b>		<b>482,662</b>	<b>366,340</b>
<b>Net assets</b>		<b>573,001</b>	<b>578,829</b>
<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>	<b>578,829</b>

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>	<b>79,647</b>
<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>	<b>(7,215)</b>
<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>	<b>(117,743)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(33,191)</b>	<b>(45,311)</b>
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>	<b>67,468</b>

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

## Contents

1. Basis of financial report preparation	35
2. Summary of significant accounting policies	37
3. Segment information	47
4. Revenue and other income	48
5. Expenses	49
6. Net financing expense	50
7. Income tax expense	50
8. Dividends	51
9. Earnings per share	52
10. Trade and other receivables	53
11. Inventories	54
12. Property, plant and equipment	55
13. Goodwill and other intangible assets	56
14. Net deferred tax assets	57
15. Trade and other payables	58
16. Borrowings	58
17. Provisions	59
18. Contributed equity	60
19. Reserves	62
20. Expenditure commitments	63
21. Auditors' remuneration	64
22. Key management personnel compensation	65
23. Related party disclosures	66
24. Business Combinations	67
25. Non-controlling interest	69
26. Associates	70
27. Guarantees	71
28. Litigation settlement expense	71
29. Contingent Liability	71
30. Details of controlled entities	72
31. Employee share plans and share based payments	73
32. Credit facilities	76
33. Notes to the statement of cash flows	77
34. Parent company financial information	78
35. Deed of cross guarantee	79
36. Financial instruments	81
37. Events subsequent to reporting date	83

# 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 IFRS*

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

### (c) Basis of 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 require 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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 1. Basis of financial report preparation (continued)

---

### **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 life 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 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).

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies

---

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

### (a) 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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

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.

### (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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

### Community Service Obligation (“CSO”)

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

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

### Other revenue

#### *Membership income*

The Amcal, 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's discounts (specifically applicable to banner members) and other benefits including Group catalogue advertising. This revenue is recognised over the period of the year which matches the period over which the services are rendered.

#### *Commissions and fees*

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

#### *Marketing services and promotional income*

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

#### *Rentals and other trading revenue*

Other revenue includes sub-lease rentals. Sub-lease revenue is recognised on a straight line basis 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 which are directly attributable to the acquisition of, or production of, a qualifying asset are capitalised as part of the cost of that asset using the weighted average cost of borrowings. Finance costs include:

- interest on bank overdrafts, short-term and long-term borrowings
- interest payable on 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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

### (f) Goods and services tax

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

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

### (g) Dividends

Dividends are recognised when an obligation to pay a dividend arises, following 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 the 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.

### (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.



# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

### **(m) Property, plant and equipment**

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

Property, plant and equipment, other than freehold land, is depreciated or amortised on 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 the 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 7 years.

### **(o) Leases**

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

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

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

### **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 service. This benefit was frozen at 31 January 2006 whereby Directors' will receive their frozen entitlement (plus interest).

### **Rationalisation and restructuring**

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

### **Lease make good**

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

### **(s) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee. The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Contributions to superannuation plans are charged to 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 which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expenses.

### **Superannuation plans**

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

### **(t) Share-based payment transactions**

Share-based compensation benefits are provided to employees via the Sigma Employee Share Plan ("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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

### (u) Income tax

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

Deferred income tax assets are recognised for all the deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that 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 which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

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

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

### (v) Contributed equity

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

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

---

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

### (y) Financial guarantee contracts

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

### (z) Customer loyalty program

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

### (aa) Deferred income

Deferred income is recognised in the liabilities section of the statement of financial position 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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 2. Summary of significant accounting policies (continued)

### (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 (the 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 below table. 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 (ie 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>AASB's 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

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 2. Summary of significant accounting policies (continued)

<b>AASB's 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 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 do 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 are 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 have 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, that 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 which 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).

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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.



## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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>	<b>1,270</b>
<b>Depreciation</b>		
Buildings	500	680
Plant and equipment	4,801	5,130
<b>Total depreciation</b>	<b>5,301</b>	<b>5,810</b>
Impairment reversal of land and building	-	(800)
<b>Total depreciation and amortisation</b>	<b>7,558</b>	<b>6,280</b>
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

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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>	<b>2,449</b>
<b>Financial expense</b>		
Interest expense	(3,978)	(4,431)
<b>Total financial expense</b>	<b>(3,978)</b>	<b>(4,431)</b>
<b>Net financing expense</b>	<b>(2,459)</b>	<b>(1,982)</b>

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

### 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 which 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.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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)
	<u>22,501</u>	<u>45,727</u>
Less: dividends paid on shares issued under the Sigma employee share plan	(993)	(1,483)
<b>Dividends paid by the Group</b>	<b>21,508</b>	<b>44,244</b>

	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>			
<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	317	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,
- (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
(a) Basic earnings per share	5.1	4.9
(b) Diluted earnings per share	4.8	4.8
	2015 \$'000	2014 \$'000
(c) Profit used in the calculation of basic and diluted EPS		
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
(d) Weighted average number of shares used in the calculation of basic and diluted earnings per share	2015 No. '000s	2014 No. '000s
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>	<b>1,083,873</b>
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>	<b>1,112,482</b>

#### 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.

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 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>	<b>515,327</b>
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>	<b>864</b>
<b>Total current receivables</b>	<b>589,957</b>	<b>557,401</b>
<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>	<b>6,605</b>

### (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 and taking into consideration all aspects of the debt and the probability of recovery. Where debt recovery is remote, the amount has been fully provided, and in instances where there is a reasonable prospect of debt recovery, an estimate has been made on the most likely outcome according to information available at 31 January 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>	<b>15,088</b>

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>	<b>7,667</b>

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 10. Trade and other receivables (continued)

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

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

#### (b) Other debtors

In the prior year, other debtors include \$25.3m 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 were 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	2014
	\$'000	\$'000
<b>At Cost</b>		
Finished goods	<b>255,742</b>	226,530
Provision for obsolescence	<b>(4,357)</b>	(4,138)
<b>Net inventories</b>	<b>251,385</b>	222,392

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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 \$0.8m was recognised as the expected fair value less 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.



## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 14. Net deferred tax assets

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

2015	Balance 1 February 2014	Recognised in income	Acquisitions	Recognised in equity	Balance 31 January 2015
	\$'000	\$'000	\$000	\$'000	\$'000
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)
<b>Net deferred tax assets</b>	<b>7,126</b>	<b>(1,544)</b>	<b>1,585</b>	<b>(25)</b>	<b>7,142</b>
Deferred tax assets	11,824	(2,216)	2,555	-	12,163
Deferred tax liabilities	(4,698)	672	(970)	(25)	(5,021)
<b>Net deferred tax assets</b>	<b>7,126</b>	<b>(1,544)</b>	<b>1,585</b>	<b>(25)</b>	<b>7,142</b>

2014	Balance 1 February 2013	Recognised in income	Recognised in equity	Balance 31 January 2014
	\$'000	\$'000	\$'000	\$'000
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)
<b>Net deferred tax assets</b>	<b>7,087</b>	<b>(138)</b>	<b>177</b>	<b>7,126</b>
Deferred tax assets	13,097	(1,273)	-	11,824
Deferred tax liabilities	(6,010)	1,135	177	(4,698)
<b>Net deferred tax assets</b>	<b>7,087</b>	<b>(138)</b>	<b>177</b>	<b>7,126</b>

# 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.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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:

2015	Lease make good \$'000	Directors' retirement \$'000
<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

2015	Lease make good \$'000
<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	1,315,288	1,336,065
<b>Issued capital held by equity compensation plan</b>		
Treasury shares	(59,822)	(41,651)
<b>Total contributed capital</b>	<b>1,255,466</b>	<b>1,294,414</b>

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

Details	Notes	No. of shares	\$'000
<b>Balance at 1 February 2013</b>		<b>1,162,669,614</b>	<b>363,841</b>
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>		<b>1,119,954,243</b>	<b>331,432</b>
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>		<b>1,093,424,867</b>	<b>310,655</b>

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

Details	Notes	No. of shares	\$'000
<b>Balance at 1 February 2013</b>			<b>1,368,474</b>
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>			<b>1,336,065</b>
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>			<b>1,315,288</b>

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 18. Contributed equity (continued)

#### (c) Movements in treasury share capital

Details	No. of shares	\$'000
<b>Balance at 1 February 2013</b>	<b>(46,574,930)</b>	<b>(31,248)</b>
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>	<b>(58,549,076)</b>	<b>(41,651)</b>
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>	<b>(81,917,558)</b>	<b>(59,822)</b>

#### (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>

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 19. Reserves (continued)

#### 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 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		7,240	5,454
- Payable later than one year but not later than five years		15,275	7,985
- Payable later than five years		11,117	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 5 and 15 years with the majority of leases providing for additional option periods. Contingent rental provisions within the lease agreement provide for increases within the rental structure in line with the CPI and market value. The average lease term for equipment rental is between 3 and 5 years.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 21. Auditors 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	471,960	275,940
Other advisory services	401,002	23,550
<b>Total Remuneration</b>	<b>872,962</b>	<b>299,490</b>

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.



## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 22. Key management personnel compensation

---

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

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

#### Key management personnel

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

---

<b>Name</b>	<b>Position</b>
Mr G Dunne	Chief Operating Officer
Mr J Sells	Chief Financial Officer

#### Individual directors and executives compensation disclosures

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

The disclosures in the Remuneration Report are audited.

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

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

Disclosures relating to related party transactions with director or key management personnel are set out in Note 23.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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 arms length dealings.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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, NSW, 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 client's 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 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	Discount Drugstores Pty Ltd	Member Benefits Australia Pty Ltd	Total
		\$'000	\$'000	\$'000	\$'000
Cash paid		17,927	32,055	-	49,982
Contingent consideration	24(a)(i)	23,373	14,028	-	37,401
<b>Total consideration</b>		<b>41,300</b>	<b>46,083</b>	<b>-</b>	<b>87,383</b>

#### (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:

		Central Healthcare Group	Discount Drugstores Pty Ltd	Member Benefits Australia Pty Ltd	Total
	Note	\$'000	\$'000	\$'000	\$'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	Discount Drugstores Pty Ltd	Member Benefits Australia Pty Ltd	Total
		\$'000	\$'000	\$'000	\$'000
Total consideration	24(a)	41,300	46,083	-	87,383
Plus: 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.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 24. Business Combinations (continued)

	2015	2014
	\$'000	\$'000
<b>(e) Net cash outflow arising on acquisition</b>		
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	2014
		\$'000	\$'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)	-

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 26. Associates

---

	<b>2015</b>	2014
	<b>\$'000</b>	\$'000
Interests in associates	<b>7,934</b>	-

---

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	
			<b>2015</b>	2014
NostraData Pty Ltd	Collation and sale of data	Australia	<b>51%</b>	-

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 2015. 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.

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

---

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
<b>Guarantees existed at the end of year in respect of :</b>		
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 accordance with the ASIC Class Order 98/1418, the Company has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the Deed (See Note 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 Australia market.

### 29. Contingent Liability

#### Shareholder class action

A contingent liability exists in respect of insurer's right, in certain circumstances to clawback 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.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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	-

<sup>a</sup> These wholly-owned companies are subject to a deed of cross guarantee (See Note 35).



# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 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:

Issue date	Issue price	Total shares on issue
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. Pre-defined key performance measures are established each year to ensure the targets are relevant and challenging. Commencing the financial year ending 31 January 2012, the structure of the executive STI plan provides a balance between cash payment and deferred equity reward. (Details of the STI plan are set out on page 17-18 of the Remuneration Report).

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

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
<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>

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 31. Employee share plans and share based payments (continued)

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>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 pre-defined vesting conditions are met three years from grant date. (Details of the LTI plan are set out on page 18-20 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>

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 31. Employee share plans and share based payments (continued)

**(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 STI plan and Loan funded shares with ROIC vesting condition is Black-Scholes pricing model and loan funded shares with the TSR vesting condition is calculated using European barrier call pricing model.

The fair value produced by the model and the inputs into the model for the various share options granted during the year 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
<b>Inputs into the model:</b>				
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
<b>Total</b>	<b>2,291</b>	<b>2,287</b>

### 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

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 33. Notes to the statement of cash flows

	2015 \$'000	2014 \$'000
<b>(a) Reconciliation of cash and cash equivalents</b>		
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:		
Cash at bank and on hand	34,284	67,468
Cash and cash equivalents	34,284	67,468
<b>(b) Reconciliation of profit for the year to net cash flows from operating activities</b>		
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>

# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 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>	391,326
Current liabilities		56,076	37,581
<b>Total liabilities</b>		<b>56,116</b>	37,603
<b>Net assets</b>		<b>329,268</b>	353,723
<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>	353,723
<b>Profit for the year</b>		<b>16,531</b>	27,834
<b>Total comprehensive income for the year</b>		<b>16,531</b>	27,834

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

Carrying amount included in liabilities

- -

The parent entity has provided financial guarantees in respect of the subsidiaries Westpac debtor 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.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 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 which 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)
<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>	<b>(933)</b>
Income tax relating to components of other comprehensive income	<b>(25)</b>	<b>280</b>
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>58</b>	<b>(653)</b>
<b>Total comprehensive income for the year</b>	<b>52,606</b>	<b>52,971</b>
<b>Summary of movements in consolidated accumulated losses</b>		
<b>Accumulated losses at the beginning of the financial period</b>	<b>(728,349)</b>	<b>(736,245)</b>
Profit for the year	<b>52,548</b>	<b>53,624</b>
Dividends	<b>(22,501)</b>	<b>(45,728)</b>
<b>Accumulated losses at the end of the financial period</b>	<b>(698,302)</b>	<b>(728,349)</b>

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 35. Deed of cross guarantee (continued)

	Note	2015 \$'000	2014 \$'000
<b>Statement of financial position</b>			
<b>Current assets</b>			
Cash and cash equivalents		33,378	66,762
Trade and other receivables		589,829	557,361
Current income tax receivable		-	5,301
Inventories		251,385	222,392
Derivative financial instruments		-	18
Prepayments		4,246	3,586
<b>Total current assets</b>		<b>878,838</b>	<b>855,420</b>
<b>Non-current assets</b>			
Trade and other receivables		4,738	6,605
Property, plant and equipment		57,651	52,887
Intangible assets		96,230	20,367
Investments accounted for using the equity method		7,934	-
Net deferred tax assets		7,708	7,786
<b>Total non-current assets</b>		<b>174,261</b>	<b>87,645</b>
<b>Total assets</b>		<b>1,053,099</b>	<b>943,065</b>
<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>



# Notes to the consolidated financial statements continued

For the year ended 31 January 2015

## 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
	<u>628,979</u>	<u>631,492</u>
<b>Financial liabilities</b>		
Trade and other payables	450,633	353,064
Borrowings	630	-
	<u>451,263</u>	<u>353,064</u>

#### (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.

Interest rate risk	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
<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.

## Notes to the consolidated financial statements continued

For the year ended 31 January 2015

### 36. Financial instruments (continued)

---

#### (d) Fair value measurement

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

*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 30 to 83, 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 & Managing Director

## **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 30 to 84.

#### *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.

## *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:

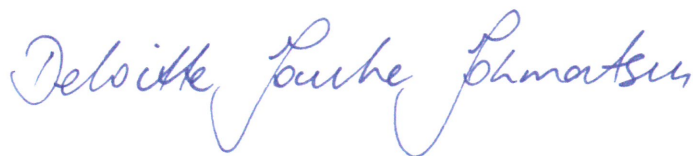
- (a) the financial report of Sigma Pharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2015 and of its performance for the year ended on that date; and
  - (ii) complying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

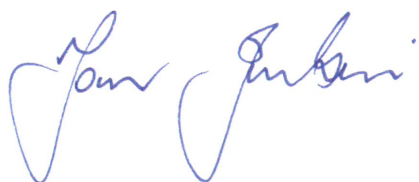
We have audited the Remuneration Report included in pages 14 to 28 of the directors' report for the year ended 31 January 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. 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