

# building momentum

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ANNUAL  
REPORT

2011–  
2012

PROUDLY SERVING  
AUSTRALIAN  
PHARMACIES  
SINCE 1912

Integrating strategy, culture,  
people and processes.



Sigma was founded by two Melbourne pharmacists in 1912. Today Sigma is a leading national full-line wholesaler to community pharmacy and owner of the Amcal Max, Amcal and Guardian retail pharmacy brands.

Healthcare at Sigma is all about our people – it is why we value our staff and the strong relationships with our suppliers and pharmacy customers and it's why Sigma continues to hold a respected heritage for its contribution to the healthcare of Australians.



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Sigma at a glance

**13**  DISTRIBUTION CENTRES

**100**  YEARS OF HEALTHCARE

**400**  SUPPLIERS

**4,000**  PHARMACY CUSTOMERS

**12,000**  PRODUCT LINES

**600,000**  PRODUCTS DELIVERED DAILY







## Highlights

Sigma made significant progress throughout 2011, with some of the highlights being:

- A revised and reinvigorated corporate strategy has focused on building the skills of our people and reinvesting in our infrastructure to support a unified, integrated approach to meeting our customers' and suppliers' needs.
- The consolidation and relocation of Sigma's corporate office, national retail operations and Victorian distribution operations into new premises at Rowville.
- A refocused retail strategy has been developed for Amcal Max, Amcal and Guardian brand members, many of whom have committed to three and five year agreements. In addition there has been significant growth in the Pharmacy Advance retail offer for independent pharmacies in the last 12 months.
- The wholesaling franchise was strengthened through Sigma's appointment as the preferred wholesaler for the Pharmacy Alliance and the Independent Pharmacy of Australia groups and the successful renegotiation of its contract with key customer, the My Chemist/Chemist Warehouse group.
- Shareholder value was driven by a strong financial performance. A reported net profit of \$50.3 million compared to a loss of \$73.1 million in the previous year. Over the full financial year, Total Shareholder Return was over 70%.

In June, Sigma's eligibility as a Community Service Obligation (CSO) qualified pharmacy wholesaler, was reaffirmed. It is one of only three national pharmacy wholesalers to meet the rigorous standards. Sigma strongly supports the principles of the CSO and the role it plays in the National Medicines Policy.



## Chairman and CEO and Managing Director Reports

### CHAIRMAN

I am pleased to report that our work in rebuilding Sigma has made significant progress over the past year. Improvements in our operational performance have flowed through to provide a significant boost to our financial results for FY12. Last year we told you that our key strategic focus would be to improve profitability and increase the return on invested capital. We are pleased to report that we have achieved both. These remain key objectives for the future.

Early in 2011, the Board and management reinvigorated the Company's strategy and developed well-defined objectives that are now being implemented. Over the year, we reshaped the organisational structure appointing Gary Dunne to the new role of Chief Operating Officer to drive and coordinate wholesaling and retailing operations. The new structure promotes a unified, interactive team approach focused on customer needs.



The reported after tax profit for FY12 was \$50.3 million which compared to a loss of \$73.1 million in the previous year. A fully franked final dividend payment of 2 cents as well as a fully franked special dividend of 1.5 cents takes the full year dividends to 20 cents per share. Ongoing initiatives to reduce working capital coupled with improved profitability increased the return on invested capital of 7.3% for FY11 to 12.4% this financial year. The total return to shareholders, inclusive of the special dividend of 15 cents paid in May, was more than 70%.

The Company completed the year with a net cash balance of \$113 million. The Board believes that it is prudent to maintain a strong balance sheet in the current volatile economic conditions. This also means the Company remains well positioned to pay a high percentage of profits as franked dividends as well as consider any investment opportunities that may arise.

Since I last reported to you, the Company has undergone a significant transformation. Particularly rewarding has been the development of a keen sense of renewed direction and energy across the Company. I thank you, our shareholders, for your continued support. I would also like to acknowledge the contribution made by Sigma's staff to the successful turnaround of the Company. Finally, I wish to express my appreciation to our Amcal Max, Amcal and Guardian members for their continued support and loyalty to our brands. This year marks Sigma's 100th year of service to community pharmacies. We are excited and confident that our vision for the Company, supported by a strong balance sheet, will chart a successful course for the future.

Mr Brian Jamieson, Chairman



## CEO AND MANAGING DIRECTOR

This financial year has been a successful one for Sigma on many levels. There has been strong growth in market share which has translated into higher profitability in a dynamic environment. The Company is now financially stable and well placed to meet the challenges ahead.

We have undertaken the initial steps of our new strategic plan, which focuses on consolidating and improving our skills base and infrastructure. The design and composition of the newly appointed executive team aligns with the strategic plan and brings a range of skills and experience to the Company, which underpins our reinvigorated Customer Value Proposition that puts “the consumer and pharmacist at the centre of everything we do”. This is supported by our further investment in our Amcal Max, Amcal and Guardian brands.

Reinvestment in our distribution centres has commenced, as has the development of improved systems to provide quality data on a timely basis and enhance operational support. These projects will continue over the 2013 financial year.

In October 2011, the Clayton wholesale and retail operations and Croydon-based corporate team relocated to our new Rowville site. The highly automated distribution centre facilities are already realising a number of operational benefits. The development of a greater sense of unity amongst the staff is also pleasing with the single site promoting more interaction between the different operational teams.

The early benefits from these operational changes are reflected in our stronger financial performance for the year. The gains in market share coupled with efficiencies flowing from operational initiatives were the key contributors. The result is more noteworthy as Sigma had to contend with significant industry challenges over the year. Early in 2011 Pfizer, the largest supplier to the Pharmaceutical Benefits Scheme (PBS), withdrew its PBS products from the full-line wholesaling network. Sigma responded through a number of cost-saving measures and the renegotiation of customer trading terms.

Our working capital management program resulted in continued positive trends in our cash conversion cycle, with a reduction of 10 days from the previous year. Cash flows were also strong, with a net operating cash flow of \$146 million compared to \$101 million for FY11.

The coming year brings further industry challenges. Major PBS reform measures are expected to slow industry growth over 2012. Management has taken steps to offset the impact, but it is expected to slow the growth of profits over this period. Our strategic initiatives will continue over the coming year, which we believe will position the Company well for future growth.

Our work over the past year has created the foundation stones to build a company that is better placed to meet industry change and ready to grow its position in health care. While this year carries further industry challenges, I am confident we will continue to make positive progress.



Mr Mark Hooper, CEO and Managing Director

## ● People and the community

### SIGMA AND THE COMMUNITY

**In 2011 Sigma continued its proud history of making a positive contribution to the community by joining with its retail-branded pharmacies to raise community awareness and support a number of cause-related programs.**

#### Fitted For Work

Sigma donated a range of personal care products from its east-coast warehouses to the non-profit organisation, Fitted for Work. This organisation supports women experiencing difficulties in seeking and keeping paid employment by assisting with personal dressing services, mentoring and transition to work programs.

#### Wesley Mission 2011 Food for Families Appeal

Sigma and its staff donated food and products to the Wesley Mission 2011 Food for Families Appeal.

The Wesley Food for Families Appeal commenced in 1991, making 2011 its 20th year. Each year the Appeal collects food and toiletries for families in crisis in the lead-up to Christmas and then throughout the following year. The need to provide support for families in crisis is greatest during the Christmas period, when stories and images of people celebrating with family and friends surround us, making life even more difficult for those less fortunate.

#### Guardian Angel

The Guardian Angel knitting program in partnership with The Variety Club, continues to provide winter warmth to those in need. Customers collect complimentary knitting patterns from their local Guardian pharmacy and return completed garments, which are then distributed by The Variety Club to children and babies in shelters, indigenous communities and those affected by recent disasters both in Australia and abroad. The contribution the Guardian Angel knitting program makes to local communities is overwhelming, with nearly 100,000 knitted garments distributed to needy Australians in 2011. We thank all of our pharmacies for their support and outstanding commitment to the program.

● ●  
Amcal is a proud sponsor of the Cancer Council's Pink Ribbon Day, an international awareness and fundraising day for breast cancer.

#### Juvenile Diabetes Research Foundation

The Juvenile Diabetes Research Foundation (JDRF) is the world's largest charitable supporter of diabetes research, investing more than \$150 million per year to find a cure. Australia has one of the highest rates of type 1 diabetes in the world and Amcal's continued support of Jelly Baby Month raises the much-needed funds to help find a cure for this growing disease. During Jelly Baby Month, jelly baby themed merchandise is sold in our Amcal pharmacies.

#### Cancer Council – Pink Ribbon Day

Amcal is a proud sponsor of the Cancer Council's Pink Ribbon Day, an international awareness and fundraising day for breast cancer. Every year, around 12,000 Australian women will hear the words 'you have breast cancer'. The Cancer Council aims to reduce not just the incidence of breast cancer, but also the suffering women endure while undergoing treatment. Through an approach of research, support and prevention, the Cancer Council is constantly looking for ways to detect breast cancer early, treat it more effectively and help more women survive. During October, Amcal pharmacies raise funds for Pink Ribbon Day to assist women in their brave fight against breast cancer.

#### School Bugs and Other Nasties

Guardian has released a *School Bugs and Other Nasties* booklet that has 60 pages of information for parents of school-aged children. It has hints and tips on how to treat common ailments such as common colds, head lice, asthma, chicken pox and many more. The book is an easy-to-read guide for parents and provides detailed descriptions on each condition. Guardian pharmacies hand out over 200,000 school bugs books to families in local communities and supports the initiative in store by offering value deals on related products.







Our performance measures for this year indicate that our people continue to embrace our safety culture and our managers lead by example.

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## SIGMA'S PEOPLE

### "Shine at Sigma"

In January 2012, Sigma launched an employee recognition program called "Shine at Sigma". The program enables employees to nominate other Sigma employees or teams who have delivered a positive outcome for their role, team or the organisation through the demonstration of Sigma's culture.

#### The six Sigma cultural characteristics are:

- » Partnerships
- » Performance Excellence
- » Empowerment and Accountability
- » Agility
- » Integrity and Respect
- » Unity

In addition to promoting Sigma's key cultural values, we believe the program carries other benefits, including building greater employee engagement, job satisfaction, and support of the Company's business strategy and vision.

### Work health and safety

Sigma is committed to providing, promoting and maintaining safe and healthy workplaces, equipment and systems.

#### Our safety principles are:

- » eliminate injuries, hazards and risks
- » increase compliance, knowledge and awareness
- » continue to build and promote a safety culture

Our performance measures for this year indicate that our people continue to embrace our safety culture and our managers lead by example. Feedback from our Cultural Survey identified that our people feel they work for a safety-conscious company.

Many health and wellbeing programs were conducted for staff throughout the year, including Safe Work Australia Week participation activities, work health checks, influenza vaccinations, ergonomics and foot health clinics.



## Looking ahead

After a strategic review of the business, Sigma recognises the need for significant investment in our retail brands.

### The key retail pillars include:

- » Appointment of brand ambassadors Georgie Parker (Amcal and Amcal Max) and Dr Cindy Pan (Guardian).
- » The move to a multi-channel strategy including e-commerce and social media.
- » The development of consumer based retail formats based on segmented data.
- » Reinvigorated and improved supplier engagement programs that provide partnership opportunities and more dynamic sourcing capability.
- » Investment in systems and infrastructure to underpin the retail pillars.



Placing pharmacists and consumers at the centre of everything we do, for mutual benefit.



The new executive team brings the range of skills and experience necessary to achieve our reinvigorated Customer Value Proposition.

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## Senior management

### Mr Jeff Sells Chief Financial Officer

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

### Mr Gary Dunne Chief Operating Officer

Mr Dunne commenced with Sigma in July 2011. Prior to joining Sigma he was involved in restructuring roles including Managing Director for Redgroup and before that Chief Operating Officer of Clive Peeters. Mr Dunne has held a number of key management positions including General Manager of Supercenters and Strategy within the Coles Group and played an integral role in establishing ALDI in Australia as its first Regional Managing Director. Prior to this, Gary spent 17 years with Woolworths in a variety of senior management roles.

### Ms Sue Morgan General Counsel and Company Secretary

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

### Mrs Jackie Pearson General Manager Human Resources

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

### Mr Richard Harris General Manager Systems & Information Technology

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

### Mr Scott Jones General Manager Merchandise and Marketing

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

### Mr Vincent Gualtieri General Manager Wholesale Sales

Mr Gualtieri commenced with Sigma in 1996. He managed wholesale sales in Victoria and Tasmania for Sigma, before moving into the National Sales Manager role five years ago. Prior to joining Sigma, Mr Gualtieri held the roles of Sales Manager and Administration Manager at Myer.

### Mr David Whillas General Manager Logistics

Mr Whillas commenced with Sigma in November 2011 assuming the responsibility for the performance of the National Logistics Network. Prior to joining Sigma he provided supply chain and logistics services through his own company, for a variety of industries. Mr Whillas' professional career, primarily in supply chain, logistics and retail, spans 30 years working in FMCG, hardware, 3rd party logistics and consulting.



**Row: (Left to Right)** Ms Sue Morgan, Mr Vincent Gualtieri, Mr Scott Jones, Mrs Jackie Pearson, Mr Richard Harris

**Sitting: (Left to Right)** Mr Jeff Sells, Mr Gary Dunne, Mr David Whillas

## Board of Directors



**From left:** Ms Linda Nicholls AO, Mr Brian Jamieson (Chairman), Mr David Bayes, Mr Mark Hooper (CEO and Managing Director), Mr David Manuel, Mr Raymond Gunston.

### **Mr Brian Jamieson (Chairman)** FCA, MAICD, Non-executive Chairman and Director.

Appointed a Director of Sigma Company Limited in May 2003, a Director of Sigma Pharmaceuticals Limited in December 2005, and Chairman of Sigma Pharmaceuticals Limited in June 2010. Mr Jamieson is Chairman of Mesoblast Limited, a Director of Oz Minerals Limited, Tatts Group Limited, and Tigers Realm Coal Limited. He is also a Director and Treasurer of the Bionics Institute and the Menzies Foundation. He is a former Managing Partner of Minter Ellison Lawyers Melbourne, former Chief Executive of KPMG Australia and former

Director of Bank of Western Australia Limited and HBOS Australia Limited. He is the former Chairman of the Melbourne Symphony Orchestra and Director of Care Australia. He has over 30 years experience in providing advice and audit services to a diverse range of public and large private companies. Mr Jamieson has not held any directorships of listed entities in addition to those set out above during the last three years.

**Age 68.**

**Mr Mark Hooper (CEO and Managing Director)**  
BBus (Acc), CPA, FFTP, MAICD, Executive Director.

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

**Age 53.****Mr David Bayes**

FAICD. Non-executive Director. Chairman of the Remuneration and Nomination Committee. Member of the Risk Management and Audit Committee.

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

**Age 64.**

With a strong balance sheet the Company is well placed to consider investment opportunities or other avenues to create shareholder value.

**Ms Linda Nicholls AO**

BA (Econ), MBA, FAICD, Non-executive Director. Chairman of Risk Management and Audit Committee.

Appointed a Director of Sigma Company Limited in April 1997 and of Sigma Pharmaceuticals Limited in December 2005. Ms Nicholls is Chairman of KDR VIC (Yarra Trams). She is a Director of Low Carbon Australia Limited and Fairfax Media Limited. She is also a Director of the Harvard Business School Alumni Board and the Walter and Eliza Hall Institute of Biomedical Science. She is a former Chairman of Healthscope Limited, Australia Post Corporation and a former Director of St. George Bank and Insurance Manufacturers of Australia. Ms Nicholls has over 28 years experience in banking and finance in Australia, the USA and New Zealand. Ms Nicholls has not held any directorships of listed entities in addition to those set out above during the last three years.

**Age 63.****Mr David Manuel**

BPharm, MPS, MAICD. Non-executive Director. Member of the Remuneration and Nomination Committee.

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

**Age 47.****Mr Raymond Gunston**

B.Comm (Hons), DipEd, CPA, FTA, AICD. Non-executive Director, Member of the Risk Management and Audit Committee, and Remuneration and Nomination Committee.

Appointed a Director of Sigma Pharmaceuticals Limited in July 2010. Mr Gunston has over 30 years of extensive corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions, and accounting. He is the current Chief Financial Officer of Tatts Group Limited and a Director of many of the Tatts Group's subsidiary and associate companies. Mr Gunston has not held a directorship of any other listed entity during the last three years.

**Age 54.**



## Corporate Governance Statement

Your Board is committed to applying the ASX Corporate Governance Council's Best Practice Recommendations and as at this date considers that Sigma has adopted those recommendations in all material respects. In this Statement, the relevant governance items are linked to each of the ASX Best Practice Recommendations (2nd edition).

This Statement outlines Sigma's system of governance. Further details can be found under the Corporate Governance section of Sigma's website.

 [www.sigmaco.com.au](http://www.sigmaco.com.au)





EIKMA CO LTD

WHOLESALE DRUGGIST

FRACTURING ENGINEER



## » Corporate Governance Statement continued

**Board of Directors**

**The Board of Directors is primarily responsible for setting the strategic direction and corporate governance of the Sigma Group.**

The Board has adopted a Board Charter which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter the Board has the following responsibilities:

- » overseeing the management of Sigma
- » reviewing and approving management's business plans and strategic opportunities
- » succession planning
- » appointment and annual evaluation of the CEO and Managing Director
- » establishing strategic goals for management
- » identifying the principal risks and overseeing appropriate control and management systems for them
- » monitoring Sigma's performance with the aim of maximising long-term returns to Sigma shareholders at an acceptable level of risk.

**Matters reserved to the Board include:**

- » overseeing Sigma's corporate strategy and monitoring management's implementation of that strategy
- » appointing and removing, determining remuneration of, evaluating performance of and planning for the succession of the CEO and Managing Director
- » overseeing remuneration policies and senior executive performance
- » overseeing Sigma's control and accountability systems, particularly in relation to the integrity of financial and other reporting
- » approving Sigma's annual financial plans and budgets, monitoring financial performance and approving the annual and half-year financial statements and reports
- » acquisition and disposal of legal entities and significant capital assets
- » approval of significant borrowings and commitments
- » matters relating to Sigma's securities including declaration of dividends



- » reviewing and ratifying policies and systems of risk management, codes of conduct, legal compliance and corporate governance
- » setting Sigma's values and standards of conduct and ensuring that these are adhered to in the interests of its shareholders, employees, customers and the community.

Subject to the specific authorities reserved to the Board under the Board Charter, and the authorities delegated to the Board committees, the Board has delegated to the CEO and Managing Director responsibility for the management and operation of the Sigma Group. The CEO and Managing Director is responsible for the day-to-day operations, financial performance and administration of the Sigma Group within the powers authorised to him from time to time by the Board. The CEO and Managing Director may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

**Further details of Board responsibilities, objectives and structure are set out in the Board Charter on Sigma's website.**

- » *ASX Best Practice Recommendation 1.1*

#### Board composition and performance

Your Board currently consists of one Executive and five Non-executive Directors, including the Chairman.

The Constitution authorises the Board to appoint Directors to vacancies and to elect the Chair. One third of Directors (excluding the CEO and Managing Director and a Director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every annual general meeting. Other than the CEO and Managing Director, no Director may remain in office for more than three years without resigning and standing for re-election. Any Director appointed by the Board must stand for election at the next annual general meeting of shareholders.

On an annual basis the Board conducts a review of its structure, composition and performance. On a regular basis the Board undertakes a formal, independent performance review.

- » *ASX Best Practice Recommendations 2.5 and 2.6*

#### Board selection process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Sigma Group.

The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review. The Remuneration and Nomination Committee review the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist. Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. External advisors may be employed where necessary to search for prospective board members. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating shareholder value and the required time to commit to the position.

- » *ASX Best Practice Recommendation 2.5*







### Independence of Directors

As required under the Board Charter, the majority of the Board, including the Chairman, are independent Directors. Directors must notify the Company about any conflict of interest, potential material relationship with the Company or circumstance relevant to his/her independence.

Sigma has adopted a definition of 'independence' for Directors that is consistent with the ASX recommendations. Applying this definition, Mr Manuel (as a practising pharmacist) is not independent. The Board values the insight and advice provided by Mr Manuel.

All other Non-executive Directors are considered by the Board to be independent, meaning that each one is generally free from any management role, or business interest or other relationship that could materially interfere with the Director's ability to act in the best interests of the Sigma Group as a whole.

Only those transactions permitted by Sigma's Constitution and the Corporations Act are conducted with Directors or their related parties. These are on the same commercial terms and conditions applying to any other external party, supplier or customer. Directors are required to disclose in writing any related party transactions. Related party transactions are set out in the notes to the Company's financial report.

Directors are also required to identify any conflict of interest they may have in dealing with Sigma's affairs and subsequently to refrain from participating in any discussion or voting on those matters. If a potential conflict of interest is likely to arise, the Director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while those matters are considered. Accordingly the Director concerned takes no part in discussion nor exercises any influence over other members of the Board if a potential conflict of interest exists.

On a regular basis Non-executive Directors meet without the CEO and Managing Director or other members of management being present, to ensure that the Non-executive Directors maintain independence of thought and judgement.

The Non-executive Directors also meet independently with the external auditors at least twice a year.

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sigma's expense.

» *ASX Best Practice Recommendations 2.1, 2.2, 2.3, 2.6*

## » Corporate Governance Statement continued

**Board committees**

The Board has established the following committees to assist it in carrying out its duties and to allow detailed consideration of issues:

- » Risk Management and Audit Committee
- » Remuneration and Nomination Committee

Each committee is comprised of Non-executive Directors, and the CEO and Managing Director and relevant senior executives attend by invitation. The committee structure, membership and effectiveness continue to be reviewed on a regular basis.

Each committee has its own charter setting out its role and responsibilities and the manner in which it is to operate. Further details of those charters are contained on Sigma's website.

Matters determined by committees are submitted to the Board as recommendations for decision.

The Board and committees meet regularly throughout the year and the frequency of Board and committee meetings and committee members' attendance at those meetings is set out in the Directors' Report. These meetings include both scheduled meetings of the Board and Board committees and meetings organised as required to deal with any specific or urgent matters requiring their attention or action. All Committee meetings are open to all Board members to attend.

- » *ASX Best Practice Recommendations 2.6, 4.1, 4.4, 8.1*

**Risk Management and Audit Committee**

The Risk Management and Audit Committee comprises Ms Linda Nicholls (Chairman), Mr David Bayes and Mr Ray Gunston, who are all independent Non-executive Directors.

In accordance with its Charter, its main responsibility is to advise and assist the Board on the establishment and maintenance of a risk management framework, internal controls and standards for the management of the Sigma Group and to monitor the quality and reliability of the financial information of the Sigma Group.

The Committee recommends the appointment, removal and remuneration of the external auditors. It also reviews the activities and organisational structure of the internal audit function and reviews the appointment or replacement of the internal auditor.

The Committee receives regular reports from management and from the internal and external auditors. It also meets with the internal and external auditors without the CEO and Managing Director or other members of management being present at least twice a year. The internal and external auditors are free at any time to communicate directly with the Chairman of the Committee and the Chairman of the Board.

The Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Prior approval of the Committee must be gained for non-audit work to be performed by the external auditor. There are specified qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

- » *ASX Best Practice Recommendations 4.2, 4.3, 4.4*

**Remuneration and Nomination Committee**

The Remuneration and Nomination Committee comprises Mr David Bayes (Chairman), Mr Ray Gunston and Mr David Manuel who are all Non-executive Directors.

In accordance with its Charter, the Committee's main responsibilities are to advise the Board on remuneration policies and practices, assess the necessary and desirable competencies of Board members, evaluate Board performance, review Board and management succession plans and to make specific recommendations on remuneration packages for the CEO and Managing Director, Non-executive Directors and senior management based on an annual review.

The Remuneration and Nomination Committee is primarily responsible for providing recommendations to the Board in regards to the remuneration strategy, policies and practices applicable to Non-executive Directors, the CEO and Managing Director, and senior executives.

Further details of the responsibilities and activities of the Remuneration and Nomination Committee, remuneration policies and structures, details of remuneration and retirement benefits paid to Directors are set out in Sigma's Remuneration Report.

- » *ASX Best Practice Recommendations 2.4, 2.5, 8.2*



## » Corporate Governance Statement continued

**Executive performance and remuneration**

Sigma's Remuneration Policy is designed to recognise the competitive environment within which Sigma operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Sigma's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Sigma. The key principles are to:

- » link executive reward with the strategic goals and sustainable performance of the Company
- » apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes
- » motivate and recognise superior performers with fair, consistent and competitive rewards
- » remunerate fairly and competitively in order to attract and retain top talent
- » recognise capabilities and promote opportunities for career and professional development
- » through employee ownership of Sigma shares, foster a partnership between employees and other shareholders

In accordance with the policy, evaluation of senior executive performance and remuneration is undertaken by the CEO and Managing Director on an annual basis. Evaluation of the CEO and Managing Director's performance and remuneration is undertaken by the Remuneration and Nomination Committee and Board on an annual basis.

Sigma's executive remuneration policies and structures and details of remuneration paid to senior managers are set out in the Remuneration Report.

- » *ASX Best Practice Recommendations 1.2, 2.4, 2.5, 8*

**Risk assessment and management**

The Board is committed to the identification, assessment and management of risk throughout Sigma's business activities.

The Company has established policies for the oversight and management of material business risks. The Company's overarching Risk Management Policy is posted on the Corporate Governance page of Sigma's website.

The Board's committee structure forms an important part of the risk management process. Through the Risk Management and Audit Committee, the Board has required management to design and implement a risk management and internal control system to manage Sigma's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure.

Sigma recognises that risk management is an intrinsic part of each manager's day-to-day activity. Each business division is individually responsible and financially accountable for ensuring that there are appropriate systems and structures in place for the protection of its people and assets, in accordance with Sigma's risk policies and systems.

Management reports to the Board through the Risk Management and Audit Committee as to the effectiveness of Sigma's management of its material business risks on a quarterly and annual basis.

The Board has received assurance from the CEO and Managing Director and the CFO that the declaration provided in accordance with S295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

An analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems is carried out with the assistance of an external firm, independent of Management and the external auditor.

The firm has direct access to the Risk Management and Audit Committee and meets with them in the absence of Management on at least a semi-annual basis. They have all necessary access to Management and the right to seek information or explanations.

- » *ASX Best Practice Recommendation 7*







● ●  
 Sigma is mindful of the important role its staff play in the success of the Company. To encourage and reward staff, the new “Shine at Sigma” program has been developed to recognise outstanding performance.

**Diversity**

Sigma has established the Sigma Diversity Policy which is set out on Sigma’s website.

The Company respects and values the competitive advantage of diversity and believes that in order to be a high performing, agile and innovative organisation we must leverage the full potential of our people. We endeavour to nurture a culture that embraces individual difference in all its forms and values the many benefits that transpire from all aspects of diversity.

We continue to develop a workforce at all levels, including senior management and the Board, which reflects the diversity of our customers and the communities in which we operate. In accordance with the amended ASX Corporate Governance Principles and Recommendations (Recommendation), the Company makes the following disclosures in relation to gender diversity.

**Diversity policy**

In accordance with Recommendation 3.2, the Company has developed a Diversity Policy which is available at [www.sigmaco.com.au](http://www.sigmaco.com.au).

**Measurable objectives and progress**

In accordance with Recommendation 3.3 and the Company’s Diversity Policy, measurable objectives for achieving gender diversity have been set by the Board and the Company’s progress towards achieving them is set out in the table below.

**Progress**

No Board vacancies arose during the financial year. The Board remains committed to ensuring that its composition is reflective of a broad range of skills, experience and diversity.

.....  
 A total of 16 executive and senior management vacancies were filled during the financial year with women filling 7 of these vacancies.  
 .....

A female Company representative sits on the interviewing panel for all executive and senior management vacancies. For each of these vacancies a diverse candidate pool is reviewed with the aim of interviewing suitable candidates from both genders.  
 .....

During recruitment activities the Company endeavours to balance the need to select the most suitably qualified and experienced candidate for the role, with the advantages of promoting a diverse workforce.  
 .....

During the financial year the Company recruited a Talent Manager to lead the Company’s key learning and development and succession planning activities.  
 .....

Throughout the 2012/13 financial year a key objective of the Talent Management function is to conduct leadership training with existing leaders and future leaders. As with all learning and development initiatives, attendance is open to employees of both genders and is based on merit and suitability.  
 .....

**Proportion of women employees and Board members**

In accordance with Recommendation 3.4, the Company makes the following disclosures in relation to the proportion of women in the organisation:

<b>Disclosure requirement</b>	<b>Disclosure</b>
Proportion of women employees in the whole organisation	As at 31 January 2011 62% of the Company’s employees were women
Proportion of women in senior executive positions	As at 31 January 2011 43% of senior executive positions <sup>1</sup> within the Company were held by women
Proportion of women on the Board of the Company	As at 31 January 2011 20% of the Company’s Non-executive Directors were women

1. Senior executive positions are those within the Leadership team, including the top three layers of the organisation.





Sigma's corporate objective is to maximise returns to shareholders within a framework of acceptable risk management.

021.

### Ethical standards

All Directors, managers and employees are required to act honestly and with integrity.

**Sigma has developed and communicated to all employees and Directors the Sigma Code of Conduct. The Sigma Code of Conduct promotes:**

- » honest and ethical behaviour
- » respect for people and property
- » legal compliance

**In summary Directors and employees must:**

- » minimise conflicts of interest and disclose possible or potential conflicts
- » avoid receipts of material gifts or benefits from third parties in connection with Sigma's business
- » report any knowledge of fraud, material error, breach of law, or of a concealed practice against the interest of Sigma
- » not use any Sigma asset on an unauthorised basis for personal use or gain (including goods, money, equipment, corporate cards, intellectual property or the services of other areas of the organisation)

- » treat all stakeholders (Sigma team members, shareholders, customers, suppliers, the public and others on Sigma's behalf) courteously, fairly and without harassment or unlawful discrimination in any form
- » comply with all federal, state and local laws and regulations.

Sigma has a Whistleblowing Policy in place designed to enable Sigma employees to raise concerns internally and at a high level and to disclose information that the individual believes in good faith shows serious malpractice or wrongdoing within Sigma without fear of reprisal. No members of staff will be disadvantaged in raising legitimate concerns. Further details of Sigma's Code of Conduct and Whistleblowing Policy are set out on Sigma's website.

In addition Sigma has in place and enforces a number of key policies governing the standards of ethical behaviour, compliance with legal obligations and due regard to the reasonable expectations of shareholders required of all Sigma personnel including: Occupational Health and Safety, Equal Employment Opportunities, Harassment, Good Working Relationship and Privacy policies.

- » *ASX Best Practice Recommendations 3.1, 3.3*





The new Rowville office has brought the corporate head office and Victorian distribution functions to the one site resulting in a greater sense of unity and partnership amongst the staff and promoting interaction between the different operational teams.



» Corporate Governance Statement continued

### Trading in Company securities

The Sigma Securities Trading Policy prohibits Directors or employees from trading in Sigma's shares if they are in possession of non-public price sensitive information. It also prohibits short-term trading and arrangements to manage the risk of price changes of any shares held under any Sigma share plan during their non-disposal period.

Trading is not permitted in the period between end of full and half-year and the release of full or half-year results respectively or in the week prior to the annual general meeting. In addition, Directors must obtain prior approval for any trading from the Chairman and senior staff must seek prior approval from the CEO and Managing Director or the Company Secretary.

Regular reminders of Sigma's Securities Trading Policy are issued to senior management. Further details of Sigma's Security Trading policy are set out on Sigma's website.

» *ASX Best Practice Recommendations 3.2, 3.3*

### Communication and continuous disclosure

Sigma has a Continuous Disclosure Policy which sets out the requirements aimed to ensure full and timely disclosure to the market of material issues relating to the Sigma Group to ensure that all stakeholders have an equal opportunity to access information.

The policy reflects the ASX Listing Rules and Corporations Act continuous disclosure requirements.

Regular briefings and presentations are given. Any new information that is presented will have been disclosed to the ASX and posted on Sigma's website, together with all ASX releases. Sigma's external auditor attends the annual general meeting to answer questions regarding the audit.

Further details of Sigma's communications and Continuous Disclosure Policy and procedure are set out on Sigma's website.

» *ASX Best Practice Recommendations 5.1, 5.2, 6.1, 6.2*

### Interests of stakeholders

Sigma promotes the highest ethical and professional standards. As a company with a reputation for fair and responsible dealing with stakeholders (including shareholders, customers, employees and government regulatory authorities) the Board demands that the highest standard of ethical behaviour be maintained and fostered throughout the organisation.

Sigma accepts the need for a legal regulatory framework of business and for a fair taxation regime. Sigma will therefore at all times seek to comply with the spirit as well as the letter of all applicable laws and regulations (both domestic and foreign) and where appropriate evaluate actions in a broader social context.

Sigma also retains the right to manage its affairs in an efficient, well-ordered and systematic manner, giving due consideration to tax and its goal of maximisation of returns to its shareholders.

Sigma requires a culture and system of compliance and accountability to be maintained throughout the organisation and for all employees to take pride in this underlying ethical basis of the organisation, acting legally and responsibly in all matters.

Directors and employees must comply with the codes of conduct that have been adopted by Sigma. These have been set out in earlier sections.

» *ASX Best Practice Recommendations 3, 7*











## Financial Statements

For the financial year ended 31 January 2012

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## Directors' Report

The Directors' Report of Sigma Pharmaceuticals Limited (the "Company") and its controlled entities (the "Group") for the financial year ended 31 January 2012.

### 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

Mr W Scott (resigned 8 June 2011)

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 over fully paid ordinary shares
Mr B Jamieson	420,575	–
Mr M Hooper	5,477,649	4,051,237
Mr D Bayes	152,535	–
Ms L Nicholls, AO	464,563	–
Mr R Gunston	48,368	–
Mr D Manuel	84,589	–
Mr W Scott (resigned 8 June 2011)	6,296,940	–
	10,035,442	–

### Review and results of operations

Reported revenue has decreased during the last financial year by \$60,404,000 (see Note 4) due to the impact of a major supplier deciding at the end of 2010 to bypass CSO wholesalers such as Sigma and to distribute their products direct to pharmacies. Adjusting for the impact of this, sales revenue actually grew by 9.8% on a like-to-like basis.

Gross profit grew by \$26,094,000 mainly due to market share gains. Other revenue was in line with the prior year with higher commissions and fees being offset by slightly lower marketing services and promotional income.

In overall terms, other expense items below gross profit were lower than the previous year, leading to a much improved profit before financing cost of \$70,284,000, compared to a loss last year of (\$9,105,000). This was primarily due to lower impairment charges in this financial year compared to prior year (\$38,343,000), as well as lower sales and marketing and administration expenses. Partially offsetting this were higher warehousing and delivery expenses. The increase in these costs was partially due to distribution costs of Aspen products which previously were included in the Pharmaceutical division result, as well as higher logistics costs associated with market share gains.

As a result of repaying the bulk of Sigma's debt at the beginning of the financial year, and only utilising the remaining receivables securitised debt facility during the middle of each month, financial income increased by \$6,115,000 to \$7,142,000 and financial expense decreased significantly by \$74,258,000 to \$5,517,000.



At the end of the financial year, Sigma had a net cash position (cash less borrowings) of \$113,601,000 compared to \$198,327,000 at the end of the prior year. This decrease was after the Company made dividend payments of \$194,473,000. Operating cash flow increased from the prior year, reflecting the efforts by the Company to improve working capital, specifically in receivables and inventories.

On 9 February 2011 the Group repaid in full Sigma Rewards debt facility of approximately \$358.7 million. No significant assets sales or restructuring activity was undertaken during the financial year.

In April 2011 the Group finalised the working capital adjustment in relation to the sale of the Pharmaceutical division to Aspen Pharmacare Holdings Limited group of companies ("Aspen"). At the end of the prior financial year, a provision of \$39.0 million in favour of Aspen was made. The final adjustment agreed to with Aspen was a payment of \$37.0 million. This resulted in a small gain in discontinued operations of \$2.0 million. Offsetting this was a tax expense adjustment of \$3.1 million resulting from the reversal of previous tax deductions claimed in prior years associated with an acquisition in the Pharmaceutical division.

### **Significant changes in state of affairs**

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

### **Principal activities**

The principal activities of the entities within the Group during the course of the financial year ended 31 January 2012 were the wholesale distribution of pharmaceutical products and the provision of services to retail pharmacies.

On 31 January 2011, the Group sold its Pharmaceutical division, a separate reportable segment (See Note 3). The results for the year ended 31 January 2011 include a full year of activities from the Pharmaceutical division as discontinued operations.

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

### **Events subsequent to the reporting date**

No other matter or circumstance has arisen since 31 January 2012 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years not otherwise disclosed above.

### **Dividends**

A fully franked interim dividend of 1.5 cents, amounting to \$17,679,000 was paid on 30 November 2011.

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked final dividend of 2.0 cents plus a fully franked special dividend of 1.5 cents, to be paid on 27 April 2012 to shareholders on the register at the ex-dividend date of 28 March 2012. The total amount payable for these dividends is \$41,252,000.

### **Likely developments and expected results of operations**

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



## Directors' Report

(continued)

028.

### Board and committee meeting attendance

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

Directors	Board of Directors' Meetings (Monthly Scheduled)		Board of Directors' Meetings (Unscheduled)		Risk Management and Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
	No. held during the term	No. attended	No. held during the term	No. attended	No. held during the term	No. of meetings attended as a committee member	No. held during the term	No. of meetings attended as a committee member
Mr B Jamieson	11	11	2	2	–	–	–	–
Mr M Hooper	11	11	2	2	–	–	–	–
Mr D Bayes	11	10	2	2	5	5	6	6
Mr R Gunston	11	11	2	2	5	4	4	4
Mr D Manuel	11	11	2	2	–	–	6	6
Ms L Nicholls, AO	11	11	2	1	5	5	–	–
Mr W Scott <sup>+</sup>	5	5	1	–	–	–	2	2

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

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

+Mr Scott resigned as Non-executive Director and as a member of the Remuneration and Nomination Committee on 8 June 2011.

### Directors' and officers' indemnities and insurance

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

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

During the financial year, the Company indemnified Linda Nicholls and Brian Jamieson (Non-executive Directors), Doug Curlewis and Dr John Stocker (Former Non-executive Directors), Jeff Sells and Sue Morgan (Officers), Elmo de Alwis (Former Director and Officer), Mark Smith and Julian Coppini (Former Officers) for legal costs in complying with ASIC Notices. The amount paid by the Company was \$389,912.

### 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:

- limiting the scope and nature of non-audit services that may be provided; and
- requiring that permitted non-audit services must be pre-approved by the RMAC.

The RMAC has reviewed a summary of all non-audit services provided by the external auditors for the financial year ended 31 January 2012. 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.



### Non-audit services (continued)

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

	2012 \$
<b>Other services</b>	
Corporate policy framework review	102,000
IT capabilities review	65,000
Other advisory services	14,417
Tax compliance services provided by PricewaterhouseCoopers, New Zealand	2,500
<b>Total remuneration</b>	<b>183,917</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 47.

### 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 30–46. 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

Melbourne  
21 March 2012



**Mr Mark Hooper**  
CEO and Managing Director

# Remuneration Report 2011–2012

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## Introduction

Dear Shareholder,

I am pleased to present the Sigma Remuneration Report (Report) for the financial year ended 31 January 2012 (financial year). The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements and this Report outlines the key structures, decisions and outcomes regarding Key Management Personnel remuneration for the financial year. Our remuneration strategy is to attract, retain and motivate talented employees by providing fair and reasonable rewards for achieving high performance and creating sustained value for shareholders. More detail about Sigma's remuneration policies and governance can be found on page 32–33 of this Report.

### Key remuneration outcomes for the financial year:

- » CEO and Managing Director received actual remuneration payments of \$1,703,940, comprising fixed remuneration of \$1,081,500 (base salary and company superannuation) and cash incentives of \$622,440 (set out on page 40). CEO and Managing Director received a 4% increase to fixed remuneration and executives (refer to page 32) received an average 7.85% increase to fixed remuneration (set out on page 36)
- » short term incentives (STI) totalling \$1,569,813 were earned by the CEO and Managing Director and executives (refer to page 32) – 60% of the STI is paid in cash and 40% of the STI is paid in deferred equity (set out on pages 37–38)
- » no long term incentive plans (LTI) vested and the 2008 and 2009 plans have now closed (set out on pages 39–40). No payments were made to executives under these plans
- » Non-executive Director maximum fee pool remained at \$1.1 million, as set at the 2007 Annual General Meeting, with actual fees paid of \$933,687. Non-executive Director base fees were reduced and committee fees were increased, reflecting the size of the Company and the workload of committees (set out on page 35). 25% of Non-executive Director fees were paid in the form of shares purchased on market

During the financial year, the Board appointed Deloitte Touche Tohmatsu Limited (Deloitte) as its independent external remuneration consultant. With support and guidance from Deloitte, several changes were implemented during the financial year to enhance the link between incentive programs, Company performance and the creation of value for shareholders. The following key changes were implemented during the financial year:

- » introduction of a deferred equity component to the executive STI plan (with no increase to the CEO and Managing Director's maximum potential STI) (set out on pages 37–38)
- » implementation of a loan funded share plan for the 2011 executive LTI plan in order to motivate and reward executives for achieving significant, yet sustainable, share price growth via improved total shareholder return (TSR) and return on invested capital (ROIC) (set out on page 39)

The Board is confident that the changes made to the Company's remuneration framework, policy and practices are consistent with prudent risk management and governance principles. The changes will assist the Company in attracting, retaining and motivating talented executives capable of delivering superior long term results for our shareholders.

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

### David Bayes

Chairman – Remuneration and Nomination Committee



## Remuneration Report

(continued)

032.

### Executive Summary

#### Key management personnel

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

- » all Executive and Non-executive Directors of the Company (Directors); and
- » those executives who have responsibility and authority for planning, directing and controlling the activities of the Company or Group, directly or indirectly, during the financial year (Key Executive Personnel)

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

#### 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
Mr W Scott	Non-executive Director (resigned 8 June 2011)

#### Executive Directors

Mr M Hooper	CEO and Managing Director
-------------	---------------------------

#### Executives

Mr G Dunne	Chief Operating Officer (commenced 25 July 2011)
Mr J Sells	Chief Financial Officer

In accordance with the *Corporations Act 2011*, the following persons must also be disclosed as they are among the five highest remunerated Group and/or Company executives:

#### Other Executives

Ms S Morgan	General Counsel and Company Secretary
Mrs J Pearson	General Manager Human Resources

#### Remuneration principles and strategy

The Company's remuneration philosophy and strategy is underpinned by four principles:

- » competitive remuneration structured in a manner that permits the Company to attract, retain, motivate and reward high calibre employees and Non-executive Directors
- » equality of remuneration by ensuring that the remuneration principles and structures are applied fairly and consistently across the business
- » linking at-risk remuneration with superior performance that delivers the Company's financial and strategic goals, delivering value for shareholders
- » fostering a partnership between employees and shareholders through employee ownership of Company shares



### Remuneration governance

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

- » Non-executive Director fees and remuneration policies
- » total reward policies and packages (including performance measures and targets) for the CEO and Managing Director and key executives
- » design and implementation of key reward programs including the STI and LTI plans
- » annual CEO and Managing Director performance review and remuneration review
- » remuneration and diversity disclosure
- » superannuation arrangements
- » executive recruitment, retention, succession planning, and termination policies
- » periodic review of Board performance, composition and succession planning

The Committee comprises three independent Non-executive Directors, being the Committee Chairman and two Members. The Committee members for the financial year were as follows:

Name	Position	Member from
Mr D Bayes	Chairman	June 2007
Mr R Gunston	Member	June 2011
Mr D Manuel	Member	July 2010
Mr W Scott	Member	December 2005 – June 2011

Non-executive Directors who are not members of the Committee may attend Committee meetings to observe proceedings. The CEO and Managing Director and General Manager Human Resources provide input into the operations of the Committee and attend Committee meetings. Decisions made by the Committee regarding an individual executive's remuneration are made without that executive being present.

The Committee takes specialist advice on Non-executive Director and executive remuneration from external advisors. These services are provided directly to the Remuneration and Nomination Committee and are independent of management.

### Linking executive remuneration and performance

The Company's results for the financial year benefited from the progress made against the Company's identified strategic priorities and further positive improvements made to the underlying operations. Among other things, the Company's results for the financial year demonstrate improvement in the following key financial performance indicators:

- » increase in Earnings Before Interest and Tax (EBIT) from continuing operations of \$79.4 million to \$70.3 million
- » increase in Net Profit After Tax (NPAT) from continuing operations of \$123.3 million to \$50.3 million
- » increase in Gross Profit (GP) from continuing operations of \$26.1 million to \$202.7 million

The table below and the ensuing commentary illustrate the link between Company performance and remuneration outcomes for the past five years:

Financial Performance Indicator	Financial Year <sup>1</sup>				
	2007/08	2008/09	2009/10	2010/11	2011/12
Closing share price \$	1.50	1.20	0.935	0.445	0.60
Ordinary dividends declared (cents per share)	7.0	7.0	3.0	–	1.5
Special dividends declared (cents per share)	–	–	–	–	15.0
TSR					71.9%
Pre-tax ROIC <sup>2</sup>					12.4%
EBIT (\$m)	158.6	190.3	(322.2)	(159.0)	69.2
NPAT (\$m)	77.2	80.1	(398.3)	(235.4)	49.2

1. Financial performance for 2011/12 relates to the continuing operations only. Financial performance for all other years relates to total operations, including the now discontinued pharmaceutical division.

2. Pre Tax ROIC = EBIT from continuing operations/(Total Shareholder funds+ Net debt)

The executive remuneration framework is designed to align executive remuneration with personal performance, achievement of strategic and financial objectives, and the creation of sustained value for shareholders. The STI and LTI components of an executive's total remuneration package are linked to the performance of the Company.



## Remuneration Report

(continued)

034.

### Linking executive remuneration and performance (continued)

#### STI outcomes

Although no executive received 100% of their maximum potential STI, executives did receive a higher proportion of STI in 2011/12 as a result of the Company's improved financial performance. In 2010/11 pro-rata STI payments were made to the CEO and Managing Director and Chief Financial Officer and partial payment was made to other executives. Due to the financial performance of the Company, no STI payments were made in 2007/08, 2008/09, 2009/10

The structure of the executive STI plan was modified this financial year to incorporate a deferred equity component to ensure, among other things, that STI payments are linked to sustained business performance beyond the current year. The following design aspects of the 2011/12 STI plan ensure payments are closely linked to the performance of the Company:

- » Eligibility for any STI payment only exists if 90% of budgeted NPAT is achieved<sup>3</sup>. If less than 90% of budgeted NPAT is achieved, no STI is payable. If 90% budgeted NPAT or higher is achieved, the participant's performance is assessed against their KPIs to determine the quantum of STI payable. NPAT was selected as an appropriate hurdle for STI payments as it is the best overall annual measure of company performance, is reflective of the generation of value for shareholders, and is a measure readily recognised and reported to shareholders.
- » 50% of STI payment is weighted towards the Group financial targets of NPAT and ROIC (refer to pages 37–38).
- » The remaining 50% of STI payment is determined by the executive's ability to meet or exceed individual targets such as safety, progress towards strategic objectives and major projects (refer to pages 37–38).

#### LTI outcomes

A loan funded share plan was implemented this financial year to motivate executives to drive share price growth over the longer term via improvements to TSR and ROIC. As participants have certain rights equal to other ordinary shareholders during the vesting period (including voting rights and access to dividends, capital distribution and bonus shares), the plan creates a close alignment between the interests of executives and those of shareholders. The plan incorporates vesting conditions to ensure that loan funded shares only vest when the Company's TSR and ROIC performances meet specified targets (refer to page 39).

During the financial year the performance rights granted as part of the 2008 LTI plan lapsed due to the performance conditions not being met. Furthermore, the 2009 LTI plan has been closed as no participants remain employed with the Company. No payments were made to executives under these plans and no performance rights or options have vested during the past six financial years as the performance conditions have not been met.

3. Due to the value and importance placed on safety, KPIs relating to safety are excluded from this requirement. Safety KPIs account for no more than 10% of an executive's STI reward potential.



## Non-executive Director remuneration

Remuneration for the Company's Non-executive Directors is set at levels that fairly reflect the size and complexity of the Company's operations as well as the responsibilities, accountabilities and time commitments of the Directors. To ensure objectivity and impartiality, the remuneration of Non-executive Directors is not directly linked to the performance of the Company except that 25% of Non-executive Director remuneration is paid in the form of shares in the Company. Non-executive Directors do not receive any performance related remuneration and are not entitled to receive performance shares, rights or options over the Company's shares.

Remuneration for the Non-executive Directors consists of base fees, committee fees and superannuation within a current aggregate fees maximum limit of \$1.1 million set at the 2007 Annual General Meeting. The total fees paid to Non-executive Directors for the financial year were \$933,687 including superannuation but excluding other on costs as set out in Table 1 on pages 42–43.

Non-executive Director fees were reviewed during the financial year. Independent external advice was obtained from Deloitte which included a review of the estimated workload for each Non-executive Director as well as market data from other organisations of comparable size and complexity. Following this review, and effective 1 July 2011, Chairman and Non-executive Director base fees were reduced and committee fees were increased.

Role	Annual Fee 2010/11	Annual Fee 2011/12
Chairman	\$282,000	\$265,000
Non-executive Director	\$110,000	\$100,000
Risk Management and Audit Committee – Chair	\$46,000	\$56,000
Remuneration and Nominations Committee – Chair	\$23,000	\$34,000
Risk Management and Audit Committee – Member	\$11,500	\$28,000
Remuneration and Nomination Committee – Member	\$6,000	\$17,000

To ensure Non-executive Directors have an appropriate level of shareholding in the Company and in accordance with the Non-executive Directors' Share Plan (Plan), 25% of each Non-executive Director's fees are paid in the form of shares, purchased on market every three months in arrears (adjusted according to the highest personal income tax rate and Medicare levy, as per the Plan rules). Shares purchased under the Plan are subject to a holding lock during the non-disposal period, which is the earliest of:

- » the first day of the financial year following the third anniversary of the purchase date
- » the Non-executive Director ceases being a director of the Company
- » a change of control occurs in relation to the Company

In January 2006, the Non-executive Directors resolved to discontinue the Director's retirement benefit plan. Benefits accrued under the plan were calculated and, at the choice of the relevant Director, converted into shares or paid into the Director's superannuation fund. The table below sets out the balance of accrued retirement benefits under the discontinued Director's retirement benefit plan that have not yet been converted into shares or paid into the Director's superannuation fund:

Non-executive Director	Financial Year	\$ Accumulated Retirement Benefits Balance at 01/02/11	\$ Increase in Retirement Benefits	\$ Retirement Benefits Paid	\$ Accumulated Retirement Benefits Balance at 31/01/12
Ms L Nicholls	2011/12	168,965	8,442	–	177,407
	2010/11	161,842	7,123	–	168,965
<b>Total</b>	<b>2011/12</b>	<b>168,965</b>	<b>8,442</b>	<b>–</b>	<b>177,407</b>
	2010/11	161,842	7,123	–	168,965



## Remuneration Report

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### Executive remuneration

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

An appropriate reward mix is determined for each management level with at-risk rewards increasing with the level of responsibility, influence and criticality of the role. The maximum potential reward mix for the CEO and Managing Director and executives is as follows:

Reward element	Maximum potential reward	
	CEO and Managing Director	Executives
Fixed remuneration	38.5%	53%
STI (cash)	23%	15.5%
STI (deferred equity)	15.5%	10.5%
LTI (deferred equity)	23%	21%
<b>Total reward</b>	<b>100%</b>	<b>100%</b>

### Fixed remuneration

Fixed remuneration comprises base salary, company superannuation contributions, and other benefits such as company vehicles, novated lease vehicles and car allowances. When determining the appropriate level of fixed remuneration consideration is given to the complexity of the role, experience of the employee, performance of the employee, as well as internal relativities and external market relativities. Market data sourced from external remuneration advisors is used to benchmark salary levels. The Company aims to align fixed remuneration with the median level of the general external market within Australia.

Fixed remuneration is reviewed annually with increases effective from 1 May each year. During the financial year, the Board approved a fixed remuneration increase of 4% for the CEO and Managing Director and an average increase of 7.85% for the executives listed on page 32. There are no guaranteed salary increases in any contracts of employment.



### Short term incentive

Following a review of the STI plan, including obtaining independent advice from Deloitte, the structure of the executive STI plan was modified to incorporate a deferred equity component. Previously 100% of the awarded STI was delivered in cash at the end of the financial year. Commencing this financial year, 60% of the awarded STI is paid as cash and 40% is deferred and received in performance rights that may vest over a two year period. If the executive remains employed with the Company, the deferred portion of the STI will vest in two equal tranches over one and two years.

The Board believes the introduction of a deferred equity component to the STI plan:

- » instils an appropriate focus on business performance beyond the current year and supports the consistent achievement of targets
- » creates closer alignment between the interests of executives and shareholders
- » provides an appropriate level of shareholding by executives
- » aids the retention of talented employees as unvested deferred equity is forfeited if the employee resigns

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

Key Design Aspect	Commentary
Eligibility	<p>CEO and Managing Director and executives.</p> <p>The executive must be employed by the Company at the time of payment to qualify for any STI payment. Executives who joined the Company throughout the financial year are entitled to a pro rata payment based on tenure.</p>
Hurdle requirement	<p><b>90% of budgeted NPAT must be achieved as a hurdle requirement to trigger any STI payments.</b></p> <p>Due to the value and importance placed on safety, KPIs relating to safety are excluded from this hurdle requirement and are payable upon achievement. Safety KPIs account for no more than 10% of an executive's STI reward potential.</p>
Maximum potential STI reward	<p>A maximum potential STI amount is specified for each executive and is expressed as a percentage of fixed remuneration. The amount of STI payable is dependent on the extent which the individual meets or exceeds their KPIs.</p> <p>The maximum potential STI for the CEO and Managing Director is 100% of fixed remuneration.</p> <p>The maximum potential STI for executives listed on page 32 is 50% of fixed remuneration.</p>
Performance criteria	<p>50% of STI is linked to Group financial KPIs:</p> <ul style="list-style-type: none"> <li>» 25% is weighted against NPAT which was selected as an appropriate Group financial KPI as it evaluates overall company performance and the generation of value for shareholders. As a minimum, budgeted NPAT must be achieved to result in any payment for this KPI.</li> <li>» 25% is weighted against ROIC which was selected as an appropriate Group financial target as improved ROIC performance is a key strategic goal for the Group and it provides shareholders with visibility into how capital invested in the Group's operations is used. As a minimum, budgeted ROIC must be achieved to result in any payment for this KPI.</li> </ul> <p>50% of STI is linked to individual KPIs such as:</p> <ul style="list-style-type: none"> <li>» implementation of specific strategic initiatives</li> <li>» specific financial targets such as business unit EBIT, reductions in working capital, enhanced credit management of key customers</li> <li>» key customer contract negotiations</li> <li>» safety targets such as lost time injuries</li> <li>» business improvement initiatives such as IT and system review, supply chain enhancements, talent management initiatives.</li> </ul>
Performance period	2011/12 financial year (1 February 2011 – 31 January 2012)
Reward delivery mechanism	<p>60% of awarded STI is paid in cash, paid upon Board approval of the year end accounts.</p> <p>40% of awarded STI is paid in the form of performance rights. The number of performance rights granted is calculated based on the value of the deferred equity reward divided by the volume weighted average closing price of shares in the Company over the last five trading days of the financial year.</p>
Restrictions	<p>Provided the executive remains employed with the Company the deferred portion of the STI will vest in two equal tranches over one and two years. If the executive resigns, unvested performance rights will be forfeited. Upon performance rights vesting the Company must allocate the number of shares the participant has the right to acquire under the terms of the offer by issuing or purchasing that number of shares.</p>



## Remuneration Report

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### Short term incentive (continued)

The Board has assessed the performance of each executive against their KPIs and awarded the following STI payments for the financial year:

	2010/11 STI Payments			2011/12 STI Payments			STI Entitlement as Deferred Equity \$ <sup>1</sup>
	Maximum STI Opportunity as % of Fixed Remuneration	STI Paid as % of Fixed Remuneration	STI Paid as Cash \$	Maximum STI Opportunity as % of Fixed Remuneration	STI Paid as % of Fixed Remuneration	STI Paid as Cash \$	
<b>CEO and Managing Director</b>							
Mr M Hooper	100%	95%	415,625 <sup>2</sup>	100%	95%	622,440	414,960
<b>Other Key Management Personnel</b>							
Mr G Dunne	NA <sup>3</sup>	NA <sup>3</sup>	NA <sup>3</sup>	50%	22.5% <sup>4</sup>	67,500 <sup>4</sup>	45,000 <sup>4</sup>
Mr J Sells	30%	30%	56,250 <sup>2</sup>	50%	45%	127,575	85,050
<b>Other Executives</b>							
Ms S Morgan	NA <sup>5</sup>	NA <sup>5</sup>	NA <sup>5</sup>	50%	41.25%	60,266	40,177
Mrs J Pearson	NA <sup>5</sup>	NA <sup>5</sup>	NA <sup>5</sup>	50%	48.33%	64,107	42,738
<b>Total</b>			<b>513,671</b>			<b>941,888</b>	<b>627,925</b>

1. Provided the executive remains employed with the Company, 50% of the awarded deferred equity will vest 31 January 2013 and 50% will vest 31 January 2014.

2. Pro rata payment for 2010/11 based on five months tenure.

3. Commenced 25 July 2011

4. Pro rata payment for 2011/12 based on six months tenure.

5. Disclosure of remuneration in 2010/11 was not required as neither were KMP or among the five highest remunerated.

The number of performance rights granted to each participant is determined by dividing the deferred equity value by the volume weighted average closing price of shares in the Company for the five last trading days of the 2011/12 financial year – \$0.6003. Provided the executive remains employed with the Company the deferred portion of the STI will vest in two equal tranches over one and two years. If the executive resigns, unvested performance rights will be forfeited.

Table 4 on page 46 sets out the performance rights to be granted to the executives in relation to the deferred equity portion of the 2011/12 STI Plan.

### Long term incentive

A key objective for the Board this financial year was to motivate the executive team to drive company performance which would ultimately lead to sustainable improvements in the share price. In order to achieve this objective, and following independent external advice from Deloitte, the Board elected to implement a loan funded share plan for the 2011 LTI offer.

The loan funded share plan provides participants with an interest free limited recourse loan to purchase shares in the Company. The leveraged nature of the plan means it is best utilised in an environment where a key objective is to drive absolute share price growth. An overview of the loan funded share plan is outlined below.

Key Design Aspect	Commentary
<b>Eligibility</b>	CEO and Managing Director and executives.
<b>LTI value at grant date</b>	<p>An LTI reward value is specified for each executive and is expressed as a percentage of fixed remuneration.</p> <p>The LTI value for the CEO and Managing Director is 60% of fixed remuneration.</p> <p>The LTI value for the executives listed on page 32 is 40% of fixed remuneration.</p> <p>The actual number of loan funded shares granted is calculated using a Black-Scholes options pricing model which takes into account various factors including market volatility, dividend yield, share price and vesting conditions to determine the number of shares that need to be granted in order to deliver the participant's LTI value. Loan funded shares can be issued, purchased on market or transferred from an existing Trust.</p>
<b>Loan</b>	<p>A five year interest free loan is provided to participants to fund the purchase of ordinary shares in the Company. The value of the loan is determined by the number of shares acquired multiplied by the market value of the shares on the date of grant.</p> <p>The after-tax value of dividends is applied to repay the loan.</p> <p>The loan must be settled at or before the end of the loan period.</p> <p>The loan is limited-recourse. At the expiration of the loan term, the amount to be repaid shall be the lower of:</p> <ul style="list-style-type: none"> <li>» the loan less any amounts already repaid (including reductions as a result of dividends being applied), and</li> <li>» the market value of the shares</li> </ul> <p>As a result, the participant's liability will at all times be limited to the value of the shares.</p>
<b>Trust</b>	<p>To enforce disposal restrictions and forfeiture conditions, loan funded shares are held in trust until they vest.</p> <p>Participants have certain rights equal to all other ordinary shareholders, such as voting rights and access to dividends, capital distribution and bonus shares prior to vesting.</p>
<b>Vesting date</b>	Three years from date of grant, subject to satisfying the vesting conditions.
<b>Vesting period</b>	The vesting conditions are measured over the Company's 2011/12, 2012/13 and 2013/14 financial years.
<b>Vesting conditions</b>	<p>50% of the loan funded shares granted will each vest where the following performance conditions are met over the course of the performance period:</p> <ul style="list-style-type: none"> <li>» TSR of 50% or higher during the performance period</li> <li>» average pre-tax ROIC of 11% during the performance period</li> </ul> <p>Absolute TSR was selected as an appropriate performance measure as it aligns the interest of shareholders and executives by linking rewards to the level of return that shareholders make on their investment in the Company, taking into account share price growth and dividend payments.</p> <p>ROIC was selected as an appropriate performance measure as it provides shareholders with visibility into how the Company uses capital invested in its operations and provides an evaluation of multi-year investment decisions.</p>
<b>Disposal restrictions</b>	<p>Participant's may not deal with, transfer or dispose of shares:</p> <ul style="list-style-type: none"> <li>» until the end of the vesting period; and</li> <li>» until the loan has been repaid or appropriate arrangements for repayment of the loan have been approved.</li> </ul> <p>Once the above conditions have been satisfied, any restrictions on the shares will lift and the participant may dispose of, or instruct the Trustee to dispose of the shares.</p>
<b>Forfeiture conditions</b>	<p>If a participant resigns, unvested loan funded shares will typically be forfeited and vested loan funded shares will be retained by the executive (subject to repayment of the loan balance). In certain circumstances (such as death or redundancy) the Board may permit pro rata vesting.</p> <p>In instances of summary dismissal all unvested loan funded shares and all vested loan funded shares that are held in trust or subject to an outstanding loan balance will be forfeited.</p>

Shareholder approval of the Loan Funded Share Plan and the CEO and Managing Director's grant was obtained at the Company's 2011 Annual General Meeting.

Table 5 on page 46 sets out the details of the loan funded shares granted to the executives during the financial year.





## Remuneration Report

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### Performance Rights granted in October 2008 and November 2009

The performance period for the 2008 LTI Plan concluded on 31 October 2011. The performance conditions of TSR and EPS were assessed and it was determined that these performance measures were not met. Therefore, the performance rights granted under the 2008 LTI Plan lapsed. No payment has been made or will be made to executives under this plan and no shares have been acquired.

During the financial year the only remaining participant in the 2009 LTI Plan resigned from the Company. In accordance with the Plan rules upon termination all unvested performance rights are forfeited. Therefore, all performance rights granted under this Plan have been forfeited. No payment has been made or will be made under this Plan which has now been closed.

### Other equity plans

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

Upon commencement, the CEO and Managing Director and Chief Financial Officer were awarded an equity sign on bonus in the form of performance rights to the value of \$1 million and \$250,000 respectively. During the financial year a 15 cent special dividend was paid to shareholders from the proceeds of the sale of the Pharmaceutical division. Following independent advice from Deloitte, a second grant of performance rights was made to both participants to off set the reduction in the Company's share price following the payment of the special dividend.

Provided the CEO and Managing Director and Chief Financial Officer remain employed by the Company, 100% of the performance rights will vest on 6 September 2013. Upon performance rights vesting the Company must allocate the number of shares the participant has the right to acquire under the terms of the offer by issuing or purchasing that number of shares. Shareholder approval for all sign on performance rights awarded to the CEO and Managing Director was obtained at the 2011 Annual General Meeting.

Table 3 on page 46 sets out the details of performance rights granted to executives.

### Equity restrictions

Unvested performance rights (sign on and STI deferred equity) and loan funded shares granted under the LTI are personal to the recipient and cannot be sold, transferred, mortgaged, charged, hedged, made subject to any margin lending arrangement or otherwise disposed of, dealt with or encumbered in any way. Breach of this provision will result in the unvested loan funded shares or performance rights lapsing immediately.

### Overview of actual remuneration paid

The following table summarises the actual remuneration executives received, including cash paid and the value of equity that vested during the financial year. The information is different to that provided in the statutory remuneration data table on pages 42–43 which shows accounting expensed amounts that reflect the portion of expected earnings from prior, current and future years, as well as amounts relating to accrued leave entitlements. The below information is provided to show a clearer representation of actual remuneration received by executives for the financial year.

Name	Fixed Remuneration <sup>1</sup> \$	Cash STI <sup>2</sup> \$	Remuneration Actually Paid \$
<b>CEO and Managing Director</b>			
Mr M Hooper	1,081,500	622,440	1,703,940
<b>Other Key Management Personnel</b>			
Mr G Dunne <sup>3</sup>	259,615	67,500	327,115
Mr J Sells	466,875	127,575	594,450
<b>Other Executives</b>			
Ms S Morgan	239,675	60,266	299,941
Mrs J Pearson	213,865	64,107	277,972

1. Includes base salary, company superannuation contributions, car allowances and novated lease vehicles.

2. Represents cash amounts paid during the financial year in relation to the 2011/12 STI plan as described on page 38.

3. Commenced 25 July 2011.

## Other remuneration disclosures

### Service agreements

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

The employment conditions and remuneration of the CEO and Managing Director and executives are formalised in individual contracts of employment. No fixed terms are specified within these employment contracts and a summary of the termination provisions is as follows:

Name	Term of Contract	Notice Period by Company	Notice Period by Employee
Mr M Hooper	No fixed duration	12 months	6 months
Mr G Dunne	No fixed duration	6 months	3 months
Ms S Morgan	No fixed duration	6 months	3 months
Mrs J Pearson	No fixed duration	6 months	3 months
Mr J Sells	No fixed duration	12 months	3 months

At its discretion, the Company could make a payment in lieu of notice to the amount equivalent to what the executive would have earned had that executive served out their notice period.

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 individuals fixed annual remuneration. Each employment contract provides for termination of employment without notice in circumstances sufficient to warrant summary termination.

### Employee share plan

The Company has a performance oriented culture that the remuneration policies drive and support. The Company encourages all employees at all levels to hold shares in the Company, to align their interests with those of the shareholders. During the financial year the Company offered all employees (except Non-executive Directors), the opportunity to purchase \$2,000 worth of Sigma shares on a 10 year interest free loan. A total of 261 acceptances were received, totalling 1,358,159 shares which were transferred to participants from previously forfeited shares held in trust by Sigma Employee Share Administration Pty Ltd.

### Loans to directors and executives

There were no loans to the Non-executive Directors during the financial year. There were no loans to the CEO and Managing Director and executives during the financial year, except as allowed under the employee share plan and loan funded share plan (LTI).

Total unissued ordinary shares in the Company under option at the end of the financial year are as follows:

Grant Date	Expiry Date	\$ Issue Price of Shares	Number Under Option
6/09/10	NA <sup>1</sup>	0.3520	3,551,136
29/04/11	NA <sup>1</sup>	0.3380	1,512,909
28/06/11	28/06/2016	0.5050	10,510,733
4/07/11	4/07/2016	0.5400	1,639,925
26/03/12	NA <sup>1</sup>	0.6003	1,046,016

1. Performance rights convert to shares upon the employee satisfying the service period.

No options or performance rights vested during the financial year and no shares were issued to executives in relation to these plans.



## Remuneration Report

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**Table 1: Statutory remuneration disclosure for key management personnel and other executives of the Company and Group: financial year 2011/12**

	Short Term Benefits					Post-employment Benefits			
	Salary and Base Fees <sup>2</sup>	Committee Fees	Cash Short-term Incentives <sup>3</sup>	Sign On Cash Payments	Non-Monetary Benefits <sup>4</sup>	Superannuation Benefits	Increase in Retirement Benefits <sup>5</sup>	Retirement Benefits Paid	
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive Directors</b>									
Mr B Jamieson	277,748	–	–	–	5,835	15,535	–	–	
Mr D Bayes	104,167	50,542	–	–	5,835	12,055	–	–	
Mr R Gunston	104,167	21,125	–	–	5,835	9,943	–	–	
Mr D Manuel	104,167	12,417	–	–	5,835	9,084	–	–	
Ms L Nicholls AO	104,167	51,833	–	–	5,835	12,155	8,442	–	
<b>Former Non-executive Directors</b>									
Mr W Scott <sup>9</sup>	39,205	2,136	–	–	1,945	3,241	–	–	
<b>Sub total Non-executive Directors</b>	<b>733,621</b>	<b>138,053</b>	<b>–</b>	<b>–</b>	<b>31,120</b>	<b>62,013</b>	<b>8,442</b>	<b>–</b>	
<b>CEO and Managing Director</b>									
Mr M Hooper	1,116,776	–	622,440	–	5,835	15,535	–	–	
<b>Other Key Management Personnel</b>									
Mr G Dunne <sup>9</sup>	268,498	–	67,500	–	2,918	8,191	–	–	
Mr J Sells	479,539	–	127,575	–	5,835	15,535	–	–	
<b>Subtotal for Key Management personnel</b>	<b>2,598,434</b>	<b>138,053</b>	<b>817,515</b>	<b>–</b>	<b>45,708</b>	<b>101,274</b>	<b>8,442</b>	<b>–</b>	
<b>Other Executives</b>									
Ms S Morgan	208,756	–	60,266	–	11,670	19,757	–	–	
Ms J Pearson	182,225	–	64,107	–	27,646	15,535	–	–	
<b>Sub total other executives</b>	<b>412,792</b>	<b>–</b>	<b>124,373</b>	<b>–</b>	<b>39,316</b>	<b>35,292</b>	<b>–</b>	<b>–</b>	
<b>Total</b>	<b>3,011,226</b>	<b>138,053</b>	<b>941,888</b>	<b>–</b>	<b>85,024</b>	<b>136,566</b>	<b>8,442</b>	<b>–</b>	

1. Includes amounts in respect to long service leave expense movement.

2. For Non-executive Directors, includes base fees paid in cash and shares as per the Non-executive Director's Share Plan detailed on page 35. For executives, includes base salary and amounts in respect to annual leave expense movement.

3. Represents cash payments in respect to the 2011/12 STI plan as described on page 38.

4. For Non-executive Directors, includes amounts paid for Directors' and officers' insurance. For executives, includes, where applicable, car allowances, non cash benefits, fringe benefits tax paid on non cash benefits and amounts paid for Directors' and officers' cover.

5. Interest on accrued retirement benefit as described on page 35.

6. Represents amounts expensed in relation to the sign on performance rights granted to the CEO and Managing Director (\$138,889 relating to amount expensed in 2010/11 and \$464,827 relating to amounts expensed in 2011/12) and Chief Financial Officer (\$116,207 relating to amounts expensed in 2011/12) (refer to page 40) and amounts expensed in relation to the performance rights granted to executives for the deferred equity portion of the 2011/12 STI Plan (refer to pages 37–38).

7. The value of the loan funded shares with the TSR vesting condition is calculated using the European barrier call pricing model. The value of the loan funded shares with the ROIC vesting condition is calculated using the Black Scholes option pricing model. The value of loan funded shares under the above methods is allocated evenly over the vesting period.

8. Retired effective 8 June 2011.

9. Commenced 25 July 2011.



	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
				Performance Rights <sup>6</sup>	Loan Funded Shares <sup>7</sup>	
	\$	\$	\$	\$	\$	\$
	–	–	299,118	–	–	299,118
	–	–	172,599	–	–	172,599
	–	–	141,070	–	–	141,070
	–	–	131,503	–	–	131,503
	–	–	182,432	–	–	182,432
	–	–	46,527	–	–	46,527
	–	–	<b>973,249</b>	–	–	<b>973,249</b>
	3,187	–	1,763,773	776,616	129,012	2,669,401
	169	–	347,276	18,750	42,060	408,086
	1,353	–	629,837	151,644	37,215	818,696
	<b>4,709</b>	–	<b>3,714,135</b>	<b>947,010</b>	<b>208,287</b>	<b>4,869,432</b>
	6,396	–	306,845	16,740	19,179	342,764
	668	–	290,181	17,807	17,412	325,400
	<b>7,064</b>	–	<b>618,837</b>	<b>34,547</b>	<b>36,591</b>	<b>689,975</b>
	<b>11,773</b>	–	<b>4,332,972</b>	<b>981,557</b>	<b>244,878</b>	<b>5,559,407</b>



## Remuneration Report

(continued)

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**Table 2: Statutory remuneration disclosure for key management personnel and other executives of the Company and Group: financial year 2010/11**

	Short Term Benefits					Post-employment Benefits			
	Salary and Base Fees <sup>2</sup>	Committee Fees	Cash Short-term Incentives <sup>3</sup>	Sign On Cash Payments	Non-Monetary Benefits <sup>4</sup>	Superannuation Benefits	Increase in Retirement Benefits <sup>5</sup>	Retirement Benefits Paid	
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-executive Directors</b>									
Mr B Jamieson	217,883	13,313	–	–	4,757	15,580	–	–	
Mr D Bayes	110,000	23,502	–	–	4,757	10,402	–	–	
Mr R Gunston <sup>6</sup>	64,167	6,708	–	–	2,775	5,775	–	–	
Mr D Manuel	110,000	3,685	–	–	4,757	8,858	–	–	
Ms L Nicholls AO	110,000	46,000	–	–	4,757	12,155	7,123	–	
Mr W Scott	110,000	6,000	–	–	4,757	9,038	–	–	
<b>Former Non-executive Directors</b>									
Mr D Curlewis <sup>7</sup>	43,013	4,792	–	–	1,863	3,702	–	–	
Dr J Stocker AO <sup>7</sup>	110,269	–	–	–	1,863	8,592	–	478,762	
<b>Sub total Non-executive Directors</b>	<b>875,332</b>	<b>104,000</b>	<b>–</b>	<b>–</b>	<b>30,286</b>	<b>74,102</b>	<b>7,123</b>	<b>478,762</b>	
<b>CEO and Managing Director</b>									
Mr M Hooper <sup>9</sup>	460,990	–	415,625	400,000	1,982	6,448	–	–	
<b>Former Managing Director</b>									
Mr E de Alwis <sup>10</sup>	505,596	–	–	–	16,037	32,877	–	–	
<b>Other Key Management Personnel</b>									
Mr J Sells <sup>9</sup>	197,042	–	56,250	–	1,982	6,450	–	–	
Mr P Tilley	373,953	–	41,796	–	4,757	14,892	–	–	
<b>Other Former Key Management Personnel</b>									
Mr I Finlay	374,759	–	32,480	–	31,517	14,892	–	–	
Mr K Jeffs	282,801	–	32,175	–	4,757	14,892	–	–	
Mr M Smith <sup>14</sup>	121,738	–	–	–	1,387	4,060	–	–	
Ms J Toh <sup>15</sup>	410,035	–	–	–	4,361	13,806	–	–	
Mr S Waller	343,285	–	29,835	–	31,757	14,892	–	–	
<b>Sub total other key management personnel</b>	<b>2,103,613</b>	<b>–</b>	<b>192,536</b>	<b>–</b>	<b>80,518</b>	<b>83,884</b>	<b>–</b>	<b>–</b>	
<b>Total</b>	<b>3,945,531</b>	<b>104,000</b>	<b>608,161</b>	<b>400,000</b>	<b>128,823</b>	<b>197,311</b>	<b>7,123</b>	<b>478,762</b>	

1. Includes amounts in respect to long service leave expense movement.
2. For Non-executive Directors, includes base fees. For executives, includes base salary and amounts in respect to annual leave expense movement.
3. Represents cash payments in respect to the 2010/11 STI Plan.
4. For Non-executive Directors, includes amounts paid for Directors' and officers' insurance. For executives, includes, where applicable, car allowances, non cash benefits, fringe benefits tax paid on non cash benefits and amounts paid for Directors' and officers' cover.

5. Interest on accrued retirement benefit.
6. Commenced 1 July 2010.
7. Retired effective 21 June 2010
8. Represents cash payment in lieu of shares due to the temporary suspension of the Non-executive Director Share Plan.
9. Commenced 30 August 2010.
10. Resigned effective 13 August 2010.

	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
				Performance Rights	Loan Funded Shares	
	\$	\$	\$	\$	\$	\$
	–	–	251,534	–	–	251,534
	–	–	148,661	–	–	148,661
	–	–	79,425	–	–	79,425
	–	–	127,300	–	–	127,300
	–	–	180,035	–	–	180,035
	–	–	129,795	–	–	129,795
	–	9,515 <sup>8</sup>	62,884	–	–	62,884
	–	22,084 <sup>8</sup>	621,570	–	–	621,570
	–	<b>31,599</b>	<b>1,601,204</b>	–	–	<b>1,601,204</b>
	–	–	1,285,045	–	–	1,285,045
	–	1,497,582 <sup>11</sup>	2,052,092	(317,939) <sup>12</sup>	–	1,734,153
	–	–	261,724	34,722 <sup>13</sup>	–	296,447
	–	–	435,398	62,702 <sup>12</sup>	–	498,099
	–	–	453,647	37,748 <sup>12</sup>	–	491,396
	–	–	334,624	25,952 <sup>12</sup>	–	360,576
	–	260,644 <sup>11</sup>	387,830	(60,057) <sup>12</sup>	–	327,773
	–	76,558 <sup>11</sup>	504,760	(94,409) <sup>12</sup>	–	410,351
	–	–	419,769	75,560 <sup>12</sup>	–	495,329
	–	<b>337,202</b>	<b>2,797,752</b>	<b>82,218</b>	–	<b>2,879,971</b>
	–	<b>1,866,383</b>	<b>7,736,093</b>	<b>(235,721)</b>	–	<b>7,500,373</b>

11. Includes where applicable payments for accrued annual leave and long service leave and termination payments in lieu of notice.

12. Value of performance rights is calculated using the Monte-Carlo option pricing model. The value of performance rights under the above method are allocated evenly over the vesting period.

13. The sign on performance rights granted to the Chief Financial Officer (refer to page 40) are expensed evenly over the vesting period at the full value of the share price at date of grant.

14. Resigned effective 12 May 2010.

15. Resigned effective 5 January 2011.





## Remuneration Report

(continued)

046.

**Table 3: Sign on performance rights granted to the CEO and Managing Director and Chief Financial Officer**

	Grant Date	Number of Share Rights Issued	Fair Value at Grant Date \$	Exercise Date <sup>1</sup>	Share Right Balance at 01/02/11	Total Value of Share Rights at Grant Date \$	Share Right Balance at 31/01/12
Mr M Hooper	6/09/2010	2,840,909	0.3520	6/09/2013	–	1,000,000	2,840,909
	29/04/2011	1,210,328	0.3380	6/09/2013	–	409,091	1,210,328
Mr J Sells	6/09/2010	710,227	0.3520	6/09/2013	710,227	250,000	710,227
	29/04/2011	302,581	0.3380	6/09/2013	–	102,272	302,581

1. Performance rights will only vest after satisfying the performance conditions outlined on page 40.

**Table 4: Performance rights to be granted to key management personnel and other executives in relation to the deferred equity portion of the 2011/12 STI Plan**

Executive	Deferred Equity Value \$	Fair Values at Grant Date \$ <sup>2</sup>	Tranche 1			Tranche 2		
			Exercise Date <sup>3</sup>	Number of Performance Rights	Value of Performance Rights \$	Exercise Date	Number of Performance Rights	Value of Performance Rights \$
Mr M Hooper	414,960	0.6003	31/01/2013	345,627	207,479	31/01/2014	345,627	207,479
Mr J Sells	85,050	0.6003	31/01/2013	70,839	42,524	31/01/2014	70,839	42,524
Mr G Dunne	45,000	0.6003	31/01/2013	37,481	22,499	31/01/2014	37,481	22,499
Ms S Morgan	40,177	0.6003	31/01/2013	33,464	20,088	31/01/2014	33,464	20,088
Mrs J Pearson	42,738	0.6003	31/01/2013	35,597	21,368	31/01/2014	35,597	21,368

2. Volume weighted average closing price of shares in the Company over the last five trading days of the 2011/12 financial year. Grant date will be approximately 26 March 2012 and for the purposes of this Report an estimate has been used based on the volume weighted average closing price of shares in the Company over the last five trading days of the financial year.

3. Performance rights will only vest if the executive remains employed with the Company at the exercise date.

**Table 5: Loan funded shares granted to key management personnel and other executives of the Company and Group in accordance with the 2011/12 LTI Plan**

Executive	Grant Date	Number of Loan Funded Shares Granted	Share Price at Grant \$	Fair Value per Option at Grant Date <sup>4</sup> \$	Exercise Date <sup>5</sup>	Loan Value at Grant Date \$	Loan Repayments from Dividends \$	Loan Balance at 31/01/12 \$
Mr M Hooper	28/06/2011	5,372,395	0.5050	0.1235	28/06/2014	2,713,059	61,590	2,651,469
Mr G Dunne	4/07/2011	1,639,925	0.5400	0.1319	4/07/2014	885,560	18,801	866,759
Ms S Morgan	28/06/2011	798,644	0.5050	0.1235	28/06/2014	403,315	9,156	394,159
Mrs J Pearson	28/06/2011	725,091	0.5050	0.1235	28/06/2014	366,171	8,313	357,858
Mr J Sells	28/06/2011	1,549,729	0.5050	0.1235	28/06/2014	782,613	17,766	764,847

4. The fair value of the loan funded shares with the TSR vesting condition is calculated using the European barrier call pricing model. The value of the loan funded shares with the ROIC vesting condition is calculated using the Black Scholes option pricing model. The value of loan funded shares under the above methods is allocated evenly over the vesting period.

5. Loan Funded Shares will only vest after satisfying the vesting conditions (outlined on page 39) and will expire at the end of the five year loan term.



## Auditor's Independence Declaration

As lead auditor for the audit of Sigma Pharmaceuticals Limited for the year ended 31 January 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink that reads 'Mary B. Waldron'.

Mary Waldron  
Partner  
PricewaterhouseCoopers

Melbourne  
21 March 2012



## Consolidated statement of comprehensive income

For the year ended 31 January 2012

	Notes	2012 \$'000	2011 \$'000
<b>Sales revenue from continuing operations</b>	4	2,853,867	2,914,271
Cost of goods sold		(2,651,188)	(2,737,686)
<b>Gross profit</b>		202,679	176,585
Other revenue and income	4	36,618	36,468
Warehousing and delivery expenses		(94,890)	(73,581)
Sales and marketing expenses		(46,824)	(51,232)
Administration expenses		(28,869)	(52,367)
Impairment of goodwill	15	–	(38,343)
Plant rationalisation and restructuring	5	1,570	(6,635)
<b>Profit/(Loss) before financing costs</b>		70,284	(9,105)
Financial income	6	7,142	1,027
Financial expenses	6	(5,517)	(79,775)
<b>Net financing income/(expense)</b>	6	1,625	(78,748)
<b>Profit/(Loss) before income tax</b>		71,909	(87,853)
Income tax (expense)/benefit	7	(21,647)	14,771
<b>Profit/(Loss) from continuing operations</b>		50,262	(73,082)
Loss from discontinued operations	8	(1,090)	(162,300)
<b>Profit/(Loss) for the year</b>		49,172	(235,382)
<b>Other comprehensive income/(loss)</b>			
Changes in the fair value of cash flow hedges		(931)	11,283
Exchange differences on translation of foreign operations	21	2	(61)
Income tax relating to components of other comprehensive income	21	279	(3,367)
<b>Other comprehensive income/(loss) for the year, net of tax</b>		(650)	7,855
<b>Total comprehensive income/(loss) for the year</b>		48,522	(227,527)
	Notes	Cents	Cents
<b>Earnings/(Loss) per share (EPS) for profit attributable to the ordinary equity holders of the company:</b>			
Basic EPS	11	4.2	(20.2)
Diluted EPS	11	4.2	(20.2)
<b>Earnings/(Loss) per share (EPS) from continuing operations attributable to the ordinary equity holders of the company:</b>			
Basic EPS	11	4.3	(6.2)
Diluted EPS	11	4.3	(6.2)

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



## Consolidated statement of financial position

As at 31 January 2012

	Notes	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents	31 (a)	148,601	556,904
Trade and other receivables	12	576,056	648,799
Current income tax receivable		–	3,749
Inventories	13	214,217	225,526
Derivative financial instruments	34	–	666
Prepayments		2,687	2,747
Assets classified as held for sale	9	–	14,000
<b>Total current assets</b>		<b>941,561</b>	<b>1,452,391</b>
<b>Non-current assets</b>			
Trade and other receivables	12	37,692	12,447
Derivative financial instruments	34	–	1,277
Property, plant and equipment	14	68,602	52,534
Intangible assets	15	14,597	15,034
Deferred tax assets	16	18,951	19,315
<b>Total non-current assets</b>		<b>139,842</b>	<b>100,607</b>
<b>Total assets</b>		<b>1,081,403</b>	<b>1,552,998</b>
<b>Current liabilities</b>			
Trade and other payables	17	340,669	340,754
Borrowings	18	35,000	358,577
Current income tax liabilities		6,192	–
Provisions	19	8,997	10,804
Deferred income		503	21
<b>Total current liabilities</b>		<b>391,361</b>	<b>710,156</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	6,547	9,184
Provisions	19	888	510
Deferred income		80	229
<b>Total non-current liabilities</b>		<b>7,515</b>	<b>9,923</b>
<b>Total liabilities</b>		<b>398,876</b>	<b>720,079</b>
<b>Net assets</b>		<b>682,527</b>	<b>832,919</b>
<b>Equity</b>			
Contributed equity	20	1,365,258	1,367,647
Reserves	21	16,035	13,626
Accumulated losses		(698,766)	(548,354)
<b>Total equity</b>		<b>682,527</b>	<b>832,919</b>

The above 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 2012

	Notes	Contributed equity		Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
		Issued capital \$'000	Issued capital held by equity compensation plan \$'000			
<b>Balance at 1 February 2010</b>		1,390,492	(22,926)	3,128	(312,973)	1,057,721
Loss for the year		–	–	–	(235,382)	(235,382)
Other comprehensive income	21	–	–	7,855	–	7,855
<b>Total comprehensive income for the year</b>		–	–	<b>7,855</b>	<b>(235,382)</b>	<b>(227,527)</b>
<b>Transactions with owners in their capacity as owners:</b>						
<i>Movements in:</i>						
– Employee shares exercised	20	–	81	–	–	81
– Share-based remunerations plans	21	–	–	2,643	–	2,643
		–	81	2,643	–	2,724
<b>Balance at 31 January 2011</b>		<b>1,390,492</b>	<b>(22,845)</b>	<b>13,626</b>	<b>(548,354)</b>	<b>832,919</b>
Profit for the year		–	–	–	49,172	49,172
Other comprehensive income		–	–	(650)	–	(650)
<b>Total comprehensive income for the year</b>		–	–	<b>(650)</b>	<b>49,172</b>	<b>48,522</b>
<b>Transactions with owners in their capacity as owners:</b>						
<i>Movements in:</i>						
– Employee shares exercised	20	–	1,198	–	–	1,198
– Share-based remunerations plans	21	–	–	(2,203)	–	(2,203)
– Movement in share capital	20	(7,988)	4,401	–	–	(3,587)
Dividends appropriated	10	–	–	2,539	(194,473)	(191,934)
Transfer dividend component of Sigma Employee Share Plan shares from retained earnings	21	–	–	5,111	(5,111)	–
Dividends applied to equity compensation plan	21	–	–	(2,388)	–	(2,388)
		(7,988)	5,599	3,059	(199,584)	(198,914)
<b>Balance at 31 January 2012</b>		<b>1,382,504</b>	<b>(17,246)</b>	<b>16,035</b>	<b>(698,766)</b>	<b>682,527</b>

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

The above 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 2012

	Notes	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		3,208,037	3,800,789
Payments to suppliers and employees		(3,046,546)	(3,607,887)
Interest received		7,142	1,027
Interest paid		(6,053)	(79,744)
Income taxes paid		(16,809)	(12,943)
<b>Net cash inflow from operating activities</b>	31 (b)	<b>145,771</b>	<b>101,242</b>
<b>Cash flows from investing activities</b>			
Payments for asset and business acquisition		–	(1,453)
Payments for property, plant and equipment	14	(7,624)	(38,379)
Payments for development costs		–	(4,820)
Disposal of discontinued operations, net of cash disposed of		(37,000)	883,468
Proceeds from sale of property, plant and equipment		295	600
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(44,329)</b>	<b>839,416</b>
<b>Cash flows from financing activities</b>			
Net repayment of borrowings		(322,969)	(437,209)
Investment in Sigma Rewards		–	7,834
Purchase of Sigma shares for Sigma Employee Share Plan	20(b)	(3,587)	–
Proceeds from redemption of shares under Sigma Employee Share Plan	20(c)	1,198	80
Receipts from Gateway and other loans receivable		7,549	31,122
Dividends paid	10	(191,934)	–
<b>Net cash outflow from financing activities</b>		<b>(509,743)</b>	<b>(398,173)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(408,301)</b>	<b>542,485</b>
Cash and cash equivalents held at the beginning of the financial period		556,904	14,418
Effects of exchange rate changes on cash and cash equivalents		(2)	1
<b>Cash and cash equivalents at the end of the financial period</b>	31 (a)	<b>148,601</b>	<b>556,904</b>

The above 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 2012

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## 1. Basis of financial report preparation

### (a) Significant accounting policies

Sigma Pharmaceuticals Limited (the "Company") is a company domiciled in Australia. This financial report was authorised for issue by the Directors on 21 March 2012.

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

The consolidated financial statements represent a continuation of the financial statements of the Sigma Company Limited Group (the "Group").

### (b) Statement of Compliance

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

### Compliance with IFRS

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

### (c) Basis of measurement

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

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

The Group is of a kind referred to in Australian Securities and Investment Commission ("ASIC") class Order 98/100 (CO 05/641 and CO 06/51) and in accordance with that Class Order, amounts in this Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

### (d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sigma Pharmaceuticals Limited, being the parent entity as at 31 January 2012 and the results of all subsidiaries for the year then ended. Sigma Pharmaceuticals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

### Transactions eliminated on consolidation

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

### Business combinations

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

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

### Use of special purpose vehicle

The special purpose vehicle used is in relation to the Sigma Employee Share Plan (ESP). Any amount of unvested shares held by the ESP are owned by the consolidated entity until they vest and are recorded at cost in the consolidated statements of financial

position within equity as shares held by the equity compensation plan.

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

Accordingly the ESP is consolidated into the Group results and intra-group transactions are eliminated in full on consolidation.

### (e) Use of accounting estimates and judgements

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

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

### Carrying value of inventory

The consolidated entity assesses whether inventory is recorded at the lower of cost and Net Realisable Value and ensures all obsolete or slow moving stock is appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific inventories and to the best of management's knowledge inventories have been correctly and fairly recorded as at 31 January 2012.

### 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 2012.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

054.

### 2. Summary of significant accounting policies

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

#### (a) Revenue

##### Revenue recognition

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

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.

##### Sale of goods

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

##### Other revenue

###### Membership income

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

###### Commissions and fees

This category primarily covers fees billed by the Group to customers for specific deliveries of dangerous goods. This risk fee covers the incremental cost

incurred by the Group associated with the delivery of these specific goods. This revenue is recognised once the delivery service has been performed.

###### Marketing services and promotional income

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

###### Rentals and other trading revenue

Other revenue includes sub-lease rentals. Sub-lease revenue is recognised on a straight line basis.

###### 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. CSO income is included in sales revenue.

###### (b) Earnings per share

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

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

###### (c) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Foreign exchange gains

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

###### (d) Finance costs

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

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

The consolidated Group operated a debtors securitisation program called Sigma Rewards. The program allowed the Group to receive cash in advance of actual debtor terms. The cost associated with this program is treated as 'finance costs' on the face of profit and loss. The facility was fully repaid on 9 February 2011.

The Group has a remaining debtors' securitisation program called Waratah. The terms of this facility are such that the risk of the defaulting debtors lies with the Group and the equivalent external debt is therefore recorded on balance sheet. The costs associated with this program are treated as "finance costs" on the face of the profit and loss.

###### (e) Goods and services tax

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



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

#### **(f) Dividends**

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

#### **(g) Acquisition of assets**

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

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

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

#### **(h) Discontinued operations**

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of

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

#### **(i) Non-current assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, which are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

#### **(j) Impairment and recoverable amount of assets** **Impairment**

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

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

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses

are recognised in the profit and loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit and loss.

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

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

#### **Reversals of impairment**

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

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

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



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

### (k) 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.

### (l) 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 at current assets unless collection is not expected for more than 12 months after the reporting date.

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

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

### (m) 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.

### (n) Investments

Investments in joint venture entities are carried at their cost of acquisition. Investments in subsidiaries are carried at cost in the individual financial statements of Sigma Pharmaceuticals Limited. An impairment loss is recognised whenever the carrying amount of the investment

exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell. A subsidiary of the Group is a partner in a 50:50 joint venture with Plus Points Pty Ltd to manage and administer customer loyalty programs. In the year 2010-11, management reassessed the carrying value of the joint venture and based on the fact that joint venture has historically reported losses and the future cash flow forecasts, the investment was fully written off.

### (o) Property, plant and equipment

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

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

<b>Buildings</b>	<b>40 years</b>
<b>Plant and Equipment</b>	<b>2 to 20 years</b>

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

### (p) Intangibles

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

### Brand names

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

### Developments costs

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

Development costs were capitalised when the product was technically and commercially feasible and their future recoverability was reasonably assured to exceed those costs.

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

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

### (q) Research

Research costs are charged against the profit and loss as incurred.

### (r) Leases

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

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

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

### (s) 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.

**(t) Interest bearing liabilities**

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

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

**(u) 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.

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.

**(v) Employee benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee. The provision for employee benefits is measured at the

remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Contributions to superannuation plans are charged to the profit and loss as the contributions are paid or become payable.

**Long service leave**

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

**Superannuation plans**

The consolidated entity contributes to various defined contribution superannuation plans. Employer contributions to these plans are recognised as an expense in the consolidated statement of comprehensive income as they are made.

**(w) Share-based payment transactions**

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

**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 are recorded at cost in the consolidated statement of financial position within equity as shares held by the equity compensation plan. Dividends paid by Sigma Pharmaceuticals Limited on shares held by the ESP are eliminated in full on consolidation. A transfer is made from retained earnings to a separate reserve on consolidation for the amount of the dividends applied to repay the loan

balance as this represents a part of the exercise price 'paid' by the employee.

**(x) Income tax**

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

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

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

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

Deferred tax assets and deferred tax liabilities have not been offset in the statements of financial position. These balances include amounts relating to the Group's foreign operations which therefore do not relate to the tax consolidated Group. The Company believes this disclosure is appropriate.





## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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

#### (x) Income tax (continued)

##### Australian tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 19 December 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Sigma Pharmaceuticals Limited. Due to the sale of the Pharmaceuticals Division to Aspen on 31 January 2011, several entities exited the Sigma Pharmaceuticals Ltd tax-consolidated Group at that time.

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

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

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

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

##### Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the

tax-consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

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

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

##### (y) 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.

##### (z) Derivatives

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

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

Changes in the fair values of derivative financial instruments that are designated and qualify as cash flow hedges, to the extent that they are effective as hedges, are recorded in equity. These cash flow hedges are recycled using the basis adjustment method. Changes in fair values of derivative financial instruments not qualifying as hedges are reported in the profit and loss.

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

##### (aa) 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).

##### (ab) 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.

**(ac) 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.

**(ad) Deferred income**

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

**(ae) Parent entity financial information**

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

**(i) Investments in subsidiaries**

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

**(ii) Financial guarantees**

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

**(af) New accounting standards and interpretations****New accounting standards adopted**

The following standards, amendments to standards and interpretations have

been adopted in preparing this financial report:

- » Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group has applied the amended standard from 1 February 2011. However, there has been no impact on any of the amounts recognised in the financial statements.

- » AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2011).

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group does not expect that any adjustments as a result of applying the revised rules.

**New accounting standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 31 January 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

AASB 9 *Financial Instruments* addresses the classification, measurement and

derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

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

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

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

In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures.



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

### (af) New accounting standards and interpretations (continued)

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

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

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

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint

operation or joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The Group is still assessing the impact of these amendments.

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

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

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

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

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type

of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 January 2014.

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

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

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

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

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



### 3. Segment information

#### Information on segments

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

For the year ended 31 January 2011, management determined that the Group operated a Healthcare and Pharmaceuticals segment.

The Pharmaceutical Division, which comprised the Generics, Consumer (OTC and Herron), Ethical Products, Medical Products, Orphan and Manufacturing businesses, was sold to Aspen Pharmacare Holdings Limited group of companies and the transaction was completed on 31 January 2011.

Based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, management have determined that the Group operates only the Healthcare segment.

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

#### Geographical segments

The Group operates predominantly within Australia.

#### Information on major customers

One customer contributes revenues which form greater than 20% 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 2012 was \$765.8 million (2011: \$678.0 million).

### 4. Revenue and other income

			(Note 8)			
	Continuing Operations		Discontinued Operations		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<b>Sales revenue</b>	<b>2,853,867</b>	2,914,271	–	425,301	<b>2,853,867</b>	3,339,572
<b>Other revenue</b>						
Commissions and fees	8,146	7,427	–	(223)	8,146	7,204
Membership revenue	11,380	11,580	–	–	11,380	11,580
Marketing services and promotional revenue	12,986	13,523	–	–	12,986	13,523
Rentals and other trading revenue	4,294	4,044	–	1,713	4,294	5,757
<b>Total other revenue</b>	<b>36,806</b>	36,574	–	1,490	<b>36,806</b>	38,064
<b>Other Income</b>						
Loss on sale of property, plant and equipment	(188)	(106)	–	(86)	(188)	(192)
<b>Total other revenue and other income</b>	<b>36,618</b>	36,468	–	1,404	<b>36,618</b>	37,872



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 5. Expenses

	Continuing Operations		Discontinued Operations		Total	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Expenses before interest and income tax:						
<b>Amortisation</b>						
IP licence agreement	–	–	–	9,504	–	9,504
Trademarks and licence fees	–	–	–	20,710	–	20,710
Brand names	431	507	–	456	431	963
Development costs	4	–	–	2,744	4	2,744
<b>Total amortisation</b>	<b>435</b>	<b>507</b>	<b>–</b>	<b>33,414</b>	<b>435</b>	<b>33,921</b>
<b>Depreciation</b>						
Buildings	879	740	–	3,034	879	3,774
Plant and equipment	4,195	2,964	–	7,034	4,195	9,998
<b>Total depreciation</b>	<b>5,074</b>	<b>3,704</b>	<b>–</b>	<b>10,068</b>	<b>5,074</b>	<b>13,772</b>
Write down of inventories to net realisable value	7,651	5,773	–	24,771	7,651	30,544
Write down of property, plant and equipment to recoverable amount	–	961	–	3,400	–	4,361
Impairment of development costs	–	–	–	3,028	–	3,028
Impairment of goodwill	–	38,343	–	220,000	–	258,343
Impairment – bad and doubtful debts – trade debtors	12,496	23,488	–	–	12,496	23,488
Employee benefits expense	71,741	72,723	–	46,990	71,741	119,713
Share-based payments (benefit)/expense	(746)	2,643	–	–	(746)	2,643
Directors' retirement provision	8	15	–	–	8	15
Rental expenses on operating leases	8,125	9,416	–	6,018	8,125	15,434
Research and development expenditure	–	–	–	3,597	–	3,597
<b>Rationalisation and restructuring</b>						
Amounts included in rationalisation and restructuring are detailed below:						
Onerous leases	–	–	–	667	–	667
Redundancy	(1,570)	5,394	–	546	(1,570)	5,940
Other amounts	–	1,241	–	919	–	2,160
<b>Total rationalisation and restructuring</b>	<b>(1,570)</b>	<b>6,635</b>	<b>–</b>	<b>2,132</b>	<b>(1,570)</b>	<b>8,767</b>

### 6. Net financing income/(expense)

	2012 \$'000	2011 \$'000
<b>Financial income</b>		
Interest revenue	7,142	1,027
<b>Total financial income</b>	<b>7,142</b>	<b>1,027</b>
<b>Financial expenses</b>		
Interest expense – Sigma rewards	(575)	(36,552)
Interest expense	(4,942)	(43,223)
<b>Total financial expenses</b>	<b>(5,517)</b>	<b>(79,775)</b>
<b>Net financing income/(expense)</b>	<b>1,625</b>	<b>(78,748)</b>

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

## 7. Income tax expense (benefit)

	2012 \$'000	2011 \$'000
Profit/(Loss) before income tax, excluding gain on sale of discontinued operations	71,909	(265,585)
Prima facie income tax expense calculated at 30%	21,573	(79,675)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible amortisation	–	1,061
Non deductible impairment	–	77,503
Other items	228	(1,067)
Amounts (over)/under provided in prior years	(154)	(151)
<b>Income tax expense/(benefit)</b>	<b>21,647</b>	<b>(2,329)</b>
Income tax expense/(benefit) comprises –		
Current expense	24,660	11,087
Deferred benefit	(2,859)	(13,265)
Adjustments for current income tax of prior periods	(154)	(151)
<b>Income tax expense/(benefit) excluding tax on sale of discontinued operations</b>	<b>21,647</b>	<b>(2,329)</b>
Income tax expense/(benefit) from continuing operations	21,647	(14,771)
Income tax expense from discontinuing operations (excluding gain on sale) (Note 8)	–	12,442
<b>Total income tax expense/(benefit)</b>	<b>21,647</b>	<b>(2,329)</b>

## 8. Discontinued operations

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

From 31 January 2011, the relationship between the Pharmaceutical division (owned and controlled by Aspen) and the Group has been conducted at arm's length and governed by contractual arrangements as follows:

- » Sigma Company Limited (Sigma Company), a wholly owned subsidiary of the Group, has been appointed by Aspen to distribute the Chemists Own, Consumer PBS Generic, PBS Non Generic and Ethical Products which Aspen acquired from the Group as part of the sale. This arrangement is for an initial five year term which may be extended for a further five years, at Sigma Company's option.
- » Sigma Company has appointed Aspen to manufacture and/or supply approximately 85% of its Private Label Portfolio (being those products supplied or manufactured by the Group prior to the sale) for a period of at least two years.

In addition, the Group and Aspen has agreed:

- » Sigma Company will, for a fee, provide transitional information, technology, payroll and human resource services to the companies acquired by Aspen for up to 12 months. Transitional services ceased effective 31 January 2012.
- » The Group will be subject to a non-compete with the Pharmaceutical division for two years and with the Generics division for five years.





## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 8. Discontinued operations (continued)

	Notes	2012 \$'000	2011 \$'000
<b>Results of discontinued operations</b>			
Revenue	4	–	425,301
Other income	4	–	1,404
Expenses		–	(379,277)
Impairment of other intangibles		–	(3,028)
Impairment of goodwill		–	(220,000)
Plant rationalisation and restructuring costs		–	(2,132)
<b>Results from operating activities</b>		–	(177,732)
Income tax expense		–	(12,442)
<b>Results from operating activities, net of income tax</b>		–	(190,174)
(Loss)/Gain on sale of discontinued operations*		(1,090)	27,874
Income tax on gain on sale of discontinued operations		–	–
<b>Loss from discontinued operations, net of income tax</b>		(1,090)	(162,300)
		<b>Cents</b>	<b>Cents</b>
Basic EPS		(0.1)	(14.0)
Diluted EPS		(0.1)	(14.0)

The loss from discontinued operations of (\$1.1) million, (2011 – loss (\$162.3) million) is attributable entirely to the owners of the Group. The profit from continuing operations of \$50.3 million, (2011 – loss (\$73.1) million) is also attributable entirely to the owners of the Group.

	2012 \$'000	2011 \$'000
<b>Cash flows from (used in) discontinued operations</b>		
Net cash from operating activities	–	142,135
Net cash from/(used) in investing activities	(37,000)	856,174
Net cash used in financing activities	–	–
<b>Net cash from discontinued operations</b>	(37,000)	998,309

	2012 \$'000	2011 \$'000
<b>Effect of disposal on financial position of the Group</b>		
Receivables	–	38,632
Inventories	–	92,503
Prepayments	–	2,553
Property, plant and equipment	–	178,011
Intangibles	–	584,414
Deferred tax assets	–	33,785
Payables	–	(27,135)
Provisions	–	(7,738)
Deferred Tax Liabilities	–	(78,453)
<b>Net assets and liabilities</b>	–	816,572
Consideration received*	–	844,446
Cash and cash equivalents disposed of	–	–
<b>Net cash inflow</b>	–	844,446
(Loss)/Gain on Sale of discontinued operations*	(1,090)	27,874

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

## 9. Assets classified as held for sale

	2012 \$'000	2011 \$'000
Land and Buildings	–	14,000

As part of the Group's strategic review of its logistics function, the Group is committed to selling its facility at Clayton, Victoria with activities relocated to Rowville, Victoria in October 2011. Due to rezoning of the site and the period of time for this process to occur, realisation is not expected to happen within the next 12 months. Therefore, the Clayton facility does not meet the requirements of Non-current Assets Held for Sale (AASB 5) and has been reclassified to property, plant and equipment.

## 10. Dividends

	2012 \$'000	2011 \$'000
Dividends recognised by the parent entity	194,473	–
Less: dividends paid on shares issued under the Employee Share Plan	(2,539)	–
<b>Dividends paid by the Group</b>	<b>191,934</b>	<b>–</b>

	Cents per Share	Amount \$'000	Date of Payment	Tax Rate for Franking Credit %	Percentage Franked %
<b>2012</b>					
Special dividend – Ordinary shares paid in cash	15.0	176,794	11 May 2011	30	100
Interim dividend – Ordinary shares paid in cash	1.5	17,679	30 November 2011	30	100
<b>Total dividends recognised by the parent entity</b>		<b>194,473</b>			
Less: dividends paid on the shares under the Employee Share Plan		(2,539)			
<b>Total dividends paid by the Group</b>		<b>191,934</b>			

<b>2011</b>		
No dividends paid in the 2010/2011 financial year		
	2012 \$'000	2011 \$'000
<b>Dividend franking account</b>		
Amount of franking credits available for the subsequent year	24,277	91,858

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability,
- (b) franking credits that may be prevented from being distributed in subsequent financial years,
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of the financial year.

### Subsequent Events

Since the end of the financial year a fully franked final dividend of 2.0 cents plus a fully franked special dividend of 1.5 cents have been declared by the Directors (see Note 35).



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 11. Earnings per share

	2012 Cents	2011 Cents
<b>(a) Basic earnings per share</b>		
From continuing operations	4.3	(6.2)
From discontinued operations	(0.1)	(14.0)
Total basic earnings per share	4.2	(20.2)
<b>(b) Diluted earnings per share</b>		
From continuing operations	4.3	(6.2)
From discontinued operations	(0.1)	(14.0)
Total diluted earnings per share	4.2	(20.2)

	2012 \$'000	2011 \$'000
<b>(c) Profit/(loss) used in the calculation of basic and diluted EPS</b>		
<b>Basic EPS</b>		
Net profit/(loss) used in calculating basic EPS		
From continuing operations	50,262	(73,082)
From discontinued operations	(1,090)	(162,300)
Profit/(loss) used to calculate basic EPS	49,172	(235,382)
<b>Diluted EPS</b>		
Net profit/(loss) used in calculating basic EPS		
From continuing operations	50,262	(73,082)
From discontinued operations	(1,090)	(162,300)
Profit/(loss) used to calculate diluted EPS	49,172	(235,382)

	2012 No. 000's	2011 No. 000's
<b>(d) Weighted average number of shares used in the calculation of basic and diluted earnings per share</b>		
Shares on issue as at 1 February	1,178,627	1,178,627
Add: Effect of shares issued	–	–
Less: Effect of shares held under Sigma Employee Share Plan	(19,150)	(15,489)
<b>Weighted average number of ordinary shares used in calculation of basic earnings per share</b>	1,159,477	1,163,138
Add: Effect of potential conversion to ordinary shares under executive rights/option schemes	3,488	1,468
Add: Effect of shares held under Sigma Employee Share Plan	19,150	15,489
<b>Weighted average number of ordinary shares used in calculation of diluted earnings per share</b>	1,182,115	1,180,095

#### Performance rights and options

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



## 12. Receivables

	2012 \$'000	2011 \$'000
<b>Current</b>		
Trade debtors (a)	592,422	664,157
Provision for impairment of receivables (a)	(32,985)	(23,166)
	559,437	640,991
Other debtors	16,273	7,808
Other loan receivables (b)	346	–
<b>Total current receivables</b>	<b>576,056</b>	<b>648,799</b>
<b>Non-current</b>		
Trade debtors (a)	33,041	–
Other loan receivables (b)	5,151	4,992
Provision for impairment of receivables (b)	(500)	(2,100)
	4,651	2,892
Gateway loan receivable (c)	–	9,555
	–	9,555
<b>Total non-current receivables</b>	<b>37,692</b>	<b>12,447</b>

### (a) Trade debtors

All trade debtors are unsecured and Sigma does not hold any collateral in relation to these debts apart from a standard retention of title clause. In most cases the fair value of the retention of title approximates the carrying value of the trade debt. Trade debtors have been utilised to secure a cash advance from the Waratah Program of \$35.0 million at 31 January 2012 (2011: \$80.5 million).

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

### Impaired trade receivables

As at 31 January 2012, current trade receivables of the Group with a nominal value of \$43.2 million (2011: \$23.2 million) were impaired. The amount of the provision was \$33.0 million (2011: \$23.2 million). The individually impaired receivables mainly relate to customers which 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 2012.

The ageing of these impaired Group receivables are as follows:

	2012 \$'000	2011 \$'000
0 days to 90 days overdue	7,596	20,234
Over 90 days overdue	35,575	2,932
	43,171	23,166

As at 31 January 2012, trade receivables of \$7.0 million (2011: \$21.9 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2012 \$'000	2011 \$'000
0 days to 30 days overdue	2,173	14,700
Over 30 days overdue	4,829	7,216
	7,002	21,916

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



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 12. Receivables (continued)

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

	2012 \$'000	2011 \$'000
At start of financial year	23,166	1,865
Provision for impairment recognised during the year	11,913	22,608
Receivables written off during the year as uncollectible	(2,094)	(1,307)
At end of financial year	32,985	23,166

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

#### (b) Other loan receivables

During the year, Sigma assumed all loans receivable in Gateway Unit Trust with a total value of \$9.0 million. At 31 January 2012, there are seven individual loans remaining with a total nominal value of \$5.5 million (2011:\$4.9 million). The amount of the loan receivables due within 12 months have been classified as current, and the balance of the loan receivables due after 12 months have been classified as non-current.

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

#### Impaired other loan receivables

\$0.5 million of non-current receivables were considered impaired and a provision for this impairment was brought forward from prior year.

#### (c) Gateway Unit Trust

At 31 January 2012, there were no individual loans (2011:11 loans) remaining in Gateway Unit Trust. As noted above, all the loans were taken over by Sigma during the year. The Gateway Unit Trust is currently being wound up.

#### (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. 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 34.

### 13. Inventories

	2012 \$'000	2011 \$'000
<b>At Cost</b>		
Finished goods	222,838	235,699
Provision for obsolescence	(8,621)	(10,173)
	214,217	225,526

## 14. Property, plant and equipment

	Note	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 1 February 2010</b>				
Cost		172,534	158,305	330,839
Accumulated depreciation		(15,167)	(90,580)	(105,747)
Net book amount		157,367	67,725	225,092
<b>Year ended 31 January 2011</b>				
Opening net book amount		157,367	67,725	225,092
Additions		22,649	15,730	38,379
Transfer of completed projects		102	(102)	–
Transfer to assets held for sale	9	(14,000)	–	(14,000)
Pharmaceutical division disposal	8	(140,192)	(37,819)	(178,011)
Write down to recoverable amount	5	(4,200)	(161)	(4,361)
Disposals		(641)	(152)	(793)
Depreciation	5	(3,774)	(9,998)	(13,772)
Closing net book amount		17,311	35,223	52,534
<b>At 31 January 2011</b>				
Cost		20,200	66,166	86,366
Accumulated depreciation		(2,889)	(30,943)	(33,832)
Net book amount		17,311	35,223	52,534
<b>Year ended 31 January 2012</b>				
Opening net book amount		17,311	35,223	52,534
Additions		–	7,624	7,624
Transfer of completed projects		3,400	(3,400)	–
Transfer from assets held for sale	9	14,000	–	14,000
Disposals		–	(482)	(482)
Depreciation	5	(879)	(4,195)	(5,074)
Closing net book amount		33,832	34,770	68,602
<b>At 31 January 2012</b>				
Cost		42,953	59,775	102,728
Accumulated depreciation		(9,121)	(25,005)	(34,126)
Net book amount		33,832	34,770	68,602

Security over assets was released and discharged on 31 January 2011 on repayment of the syndicated debt facility.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 15. Intangible assets

	Note	Goodwill \$'000	IP Licence Agreement \$'000	Trademarks & Licence Fees \$'000	Brand Names \$'000	Development Costs \$'000	Total \$'000
<b>At 1 February 2010</b>							
Cost		538,582	123,557	315,250	39,952	27,086	1,044,427
Accumulated amortisation		–	(39,472)	(100,644)	(9,671)	(6,119)	(155,906)
Net book amount		538,582	84,085	214,606	30,281	20,967	888,521
<b>Year ended 31 January 2011</b>							
Opening net book amount		538,582	84,085	214,606	30,281	20,967	888,521
Additions		–	–	–	–	4,820	4,820
Acquisition of business and assets		1,453	–	–	–	–	1,453
Disposals		(281,692)	(74,581)	(193,896)	(14,233)	(20,011)	(584,413)
Impairment – Pharmaceuticals segment	5	(220,000)	–	–	–	(3,028)	(223,028)
Impairment – Healthcare segment	5	(38,343)	–	–	–	–	(38,343)
Foreign currency movements		–	–	–	(55)	–	(55)
Amortisation	5	–	(9,504)	(20,710)	(963)	(2,744)	(33,921)
Closing net book amount		–	–	–	15,030	4	15,034
<b>Year ended 31 January 2011</b>							
Cost		–	–	–	23,279	780	24,059
Accumulated amortisation		–	–	–	(8,249)	(776)	(9,025)
Net book amount		–	–	–	15,030	4	15,034
<b>Year ended 31 January 2012</b>							
Opening net book amount		–	–	–	15,030	4	15,034
Foreign currency movements		–	–	–	(2)	–	(2)
Amortisation	5	–	–	–	(431)	(4)	(435)
Closing net book amount		–	–	–	14,597	–	14,597
<b>Year ended 31 January 2012</b>							
Cost		–	–	–	23,276	780	24,056
Accumulated amortisation		–	–	–	(8,679)	(780)	(9,459)
Net book amount		–	–	–	14,597	–	14,597

#### Impairment of intangible assets

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



## 16. Deferred income tax assets and liabilities

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

2012	Balance 1 February 2011 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Included in Discontinued Operations (Note 8) \$'000	Balance 31 January 2012 \$'000
Trade and other receivables	6,950	3,010	–	–	9,960
Inventories	3,052	(466)	–	–	2,586
Trade and other accruals	3,505	(64)	–	–	3,441
Provisions for employee benefits	3,708	(745)	–	–	2,963
Other deferred tax assets	–	1,095	–	–	1,095
Derivative hedge reserve	(813)	–	253	–	(560)
Equity raising costs capitalised in equity	2,023	–	(839)	–	1,184
Intangibles	(3,523)	–	–	–	(3,523)
Property, plant and equipment	(4,771)	29	–	–	(4,742)
Net deferred tax assets	10,131	2,859	(586)	–	12,404
Deferred tax assets	19,315	(364)	–	–	18,951
Deferred tax liabilities	(9,184)	3,223	(586)	–	(6,547)
Net deferred tax assets	10,131	2,859	(586)	–	12,404

2011	Balance 1 February 2010 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Included in Discontinued Operations (Note 8) \$'000	Balance 31 January 2011 \$'000
Trade and other receivables	560	6,428	–	(38)	6,950
Inventories	8,250	3,484	–	(8,682)	3,052
Trade and other accruals	3,516	(76)	–	65	3,505
Provisions for employee benefits	7,049	(1,384)	–	(1,957)	3,708
Other deferred tax assets	1,665	(1,665)	–	–	–
Derivative hedge reserve	2,554	–	(3,367)	–	(813)
Equity raising costs capitalised in equity	2,661	–	(638)	–	2,023
Intangibles	(61,209)	6,858	–	50,828	(3,523)
Property, plant and equipment	(8,843)	(380)	–	4,452	(4,771)
Net deferred tax assets	(43,796)	13,265	(4,005)	44,668	10,131
Deferred tax assets	50,215	6,309	(3,424)	(33,785)	19,315
Deferred tax liabilities	(94,012)	6,956	(581)	78,453	(9,184)
Net deferred tax assets	(43,796)	13,265	(4,005)	44,668	10,131

## 17. Payables

	2012 \$'000	2011 \$'000
<b>Current</b>		
Trade creditors	311,554	251,284
Other creditors	29,115	89,470
<b>Total current payables</b>	<b>340,669</b>	<b>340,754</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 34.



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 18. Borrowings

	2012 \$'000	2011 \$'000
<b>Current</b>		
Secured loans	35,000	11,538
Secured bank borrowings – Sigma Rewards	–	343,237
Gateway liability	–	3,802
<b>Total current borrowings</b>	<b>35,000</b>	<b>358,577</b>

#### *Waratah Facility*

The Company by executing the “Waratah Receivables Purchase Agreement dated 28 January 1999” and amended as part of the “Sigma Amendment Agreement No. 6” dated 24 March 2011, has a debtor securitisation facility with Westpac Banking Corporation for \$200 million, expiring on the 5th February 2014.

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

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

- (a) a refinance of existing facilities,
- (b) sale proceeds from a new issue of commercial paper once the commercial paper markets reopen trading and /or
- (c) collection of the underlying receivables.

The facility imposes rights and obligations on Sigma with respect to the quality and maintenance of its debtor book, collection of receivables, settlement and reporting to the third party. As at the year ended 31 January 2012, Sigma has complied with its obligations under the facility.

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

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

#### *Sigma Rewards*

As explained in Note 2 (d) Sigma operated a debtors’ securitisation program (Sigma Rewards) which allowed the Group to receive cash in advance of debtors’ settlement. As at 31 January 2012 Nil (2011:\$343.2 million) of Sigma Rewards debt was recorded on balance sheet as a current liability. The securitisation facility was fully paid on 9 February 2011.

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

#### **Fair value**

The fair value of borrowings equals their carrying amount as the debt is subject to floating interest rates. The carrying amounts of the Group’s borrowings are denominated in Australian dollars. For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 34.

#### **Gateway liability**

The consolidated Group operated a Pharmacy Financing program referred to as Gateway. The program operated through a Unit Trust (the special purpose vehicle used to hold the Gateway loans) which is consolidated as part of the Group. The Gateway program previously allowed the Group to source competitive funding for Sigma customers.

The Group had fully repaid its Gateway loans on 9 February 2011.

## 19. Provisions

	2012 \$'000	2011 \$'000
<b>Current</b>		
Employee benefits	7,840	6,844
Redundancy provisions	–	2,736
Lease make good provision	980	1,055
Directors' retirement	177	169
<b>Total current provisions</b>	<b>8,997</b>	<b>10,804</b>
<b>Non-current</b>		
Employee benefits	888	510
<b>Total non-current provisions</b>	<b>888</b>	<b>510</b>

### Movement in provisions

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

2012	Redundancy Provision \$'000	Lease Make Good Provision \$'000	Director's Retirement \$'000
<b>Current</b>			
Carrying amount at start of year	2,736	1,055	169
Charged/(credited) to profit or loss			
– additional provisions recognised	–	56	8
– unused amounts reversed	(1,570)	–	–
Reclassification among provisions	(102)	102	–
Amounts used during the year	(1,064)	(233)	–
Carrying amount at the end of the period	–	980	177



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 20. Contributed equity

	2012 \$'000	2011 \$'000
<b>Issued capital</b>		
Ordinary shares fully paid	1,382,504	1,390,492
<b>Issued capital held by equity compensation plan</b>		
Treasury shares	(17,246)	(22,845)
<b>Total contributed capital</b>	<b>1,365,258</b>	<b>1,367,647</b>

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

Date	Details	Notes	No. of shares	Issue price	\$'000
January 2010	Closing Balance		1,178,626,572		1,919,708
	No share capital movements for the January 2011 financial year		–		–
January 2011	Closing Balance		1,178,626,572		1,919,708
May 2011	Shares forfeited under the Employee Share Plan		(7,394,187)	\$1.57	(11,632)
May 2011	Shares issued under the Employee Share Plan		1,358,159	\$0.38	517
June 2011	Shares bought back on-market		(7,145,581)	\$0.50	(3,587)
June/July 2011	Shares issued under the Executive loan funded share plan		13,181,609	\$0.51	6,714
October 2011	Reduction in share capital Section 258F	(g)	–		(1,533,849)
January 2012	Closing Balance		1,178,626,572		377,871

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

Date	Details	Notes	No. of shares	Issue price	\$'000
January 2010	Closing Balance				1,390,492
	No share capital movements for the January 2011 financial year		–		–
January 2011	Closing Balance				1,390,492
May 2011	Shares forfeited under the Employee Share Plan		(7,394,187)	\$1.57	(11,632)
May 2011	Shares issued under the Employee Share Plan		1,358,159	\$0.38	517
June/July 2011	Shares issued under the Executive loan funded share plan		13,181,609	\$0.51	6,714
June 2011	Shares bought back on-market		(7,145,581)	\$0.50	(3,587)
January 2012	Closing Balance				1,382,504

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

Date	Details	No. of shares	\$'000
January 2010	Closing Balance	(15,526,663)	(22,926)
Year	Employee shares exercised	119,745	81
January 2011	Closing Balance	(15,406,918)	(22,845)
May 2011	Shares forfeited under the Employee Share Plan	7,394,187	11,632
May 2011	Shares issued under the Employee Share Plan	(1,358,159)	(517)
June/July 2011	Shares issued under the Executive loan funded share plan	(13,181,609)	(6,714)
Year	Employee shares exercised	1,399,766	1,198
January 2012	Closing Balance	(21,152,733)	(17,246)



## 20. Contributed equity (continued)

### (d) Ordinary shares

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

### (e) Treasury shares

The shares held by the “Equity Compensation Plan” account is used to record the balance of treasury shares which are the Company’s ordinary shares which as at the end of the financial year, have not vested to Group employees, and are therefore controlled by the Group. These shares are held by the Sigma Employee Share Plan (“ESP”) (See Note 29).

### (f) Capital management

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

### (g) Capital reduction

On 25 October 2011, the Board approved the reduction of capital in the Company under section 258F of the Corporations Act. The capital reduction did not result in a change to the share capital of the consolidated Group and has only impacted share capital and accumulated losses in the parent entity.

## 21. Reserves

	Capitals Profits Reserve \$'000	Foreign Currency Translation Reserve \$'000	General Reserve \$'000	Options / Performance Rights Reserve \$'000	Embrace \$'000	Derivative Hedge Reserve \$'000	Employee Share Reserve \$'000	Total \$'000
<b>Balance at 31 January 2010</b>	1,450	(46)	2,280	5,384	–	(5,940)	–	3,128
Foreign exchange translation expense	–	(61)	–	–	–	–	–	(61)
Options / performance rights expense	–	–	–	(240)	2,883	–	–	2,643
Net movement in derivatives	–	–	–	–	–	11,283	–	11,283
Deferred income tax	–	18	–	–	–	(3,385)	–	(3,367)
<b>Balance at 31 January 2011</b>	<b>1,450</b>	<b>(89)</b>	<b>2,280</b>	<b>5,144</b>	<b>2,883</b>	<b>1,958</b>	–	<b>13,626</b>
Foreign exchange translation expense	–	2	–	–	–	–	–	2
Options / performance rights expense	–	–	–	680	(1,426)	–	–	(746)
Options exercised	–	–	–	–	(1,457)	–	–	(1,457)
Dividends appropriated	–	–	–	–	–	–	2,539	2,539
Transfer dividend component of SESA shares from retained earnings	–	–	–	–	–	–	5,111	5,111
Dividend applied to equity compensation plan	–	–	–	–	–	–	(2,388)	(2,388)
Net movement in derivatives	–	–	–	–	–	(931)	–	(931)
Deferred income tax	–	–	–	–	–	279	–	279
<b>Balance at 31 January 2012</b>	<b>1,450</b>	<b>(87)</b>	<b>2,280</b>	<b>5,824</b>	<b>–</b>	<b>1,306</b>	<b>5,262</b>	<b>16,035</b>



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 21. Reserves (continued)

#### Nature and purpose of reserves

##### *Derivative hedge reserve*

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

##### *Foreign currency translation reserve*

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

##### *Option/performance rights reserve*

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

##### *Embrace*

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

##### *Employee share reserve*

This reserve is created this year to recognise dividends paid during the year as well as prior years by the Company that were eliminated on consolidation on unvested shares held by Sigma Employee Share Plan referred to in Note 2(w). 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.

### 22. Expenditure commitments

	Note	2012 \$'000	2011 \$'000
<b>Contracts for capital expenditure for which no amounts have been provided</b>			
Payable not later than one year		3,425	3,526
<b>Non-cancellable operating leases commitments</b>			
(a)			
Expenditure contracted but not provided for in the financial statements:			
– Payable not later than one year		6,012	7,381
– Payable later than one year but not later than five years		12,316	16,195
– Payable later than five years		14,892	16,968
		<b>33,220</b>	<b>40,544</b>
<b>Remuneration commitments</b>			
(b)			
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities:			
– Payable not later than one year		1,814	1,694
		<b>1,814</b>	<b>1,694</b>

(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.

(b) Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Key Management Personnel referred to in Note 24 that are not recognised as liabilities and are not included in the Directors' or executives' remuneration.

## 23. Auditors' remuneration

	2012 \$	2011 \$
During the year the auditors, and its related practices, of Sigma Pharmaceuticals Limited earned the following remuneration:		
<b>Audit or review of financial reports of the entity or any controlled entity</b>		
Audit and review of the financial statements by PwC, Australia	502,871	1,196,964
<b>Other assurance services provided by PricewaterhouseCoopers, Australia</b>		
Other assurance services	-	84,427
Corporate policy framework review	102,000	-
IT capabilities review	65,000	-
Other advisory services	14,417	-
<b>Other services provided by a related practice of PricewaterhouseCoopers, Australia</b>		
Tax compliance services provided by PricewaterhouseCoopers, New Zealand	2,500	8,266
<b>Total remuneration</b>	<b>686,788</b>	<b>1,289,657</b>

## 24. Key management personnel disclosures

### a. Key management personnel compensation

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

Directors	Position	Details
Mr B Jamieson	Chairman	
Mr M Hooper	CEO and Managing Director	
Mr D Bayes	Non-executive Director	
Mr R Gunston	Non-executive Director	
Mr D Manuel	Non-executive Director	
Ms L Nicholls, AO	Non-executive Director	
Mr W Scott	Non-executive Director	(Resigned 8 June 2011)

### Key Management Personnel

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

Name	Position	Date of change in position
Mr G Dunne	Chief Operating Officer	(Commenced 25 July 2011)
Mr J Sells	Chief Financial Officer	



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 24. Key management personnel disclosures (continued)

#### a. Key management personnel compensation (continued)

##### Individual Directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 30–46.

The disclosures in the Remuneration Report are audited.

	2012 \$	2011 \$
Short-term employee benefits	3,599,710	5,186,514
Post-employment benefits	109,716	683,197
Long-term benefits	4,709	–
Termination benefits	–	1,866,383
Share-based payments	1,155,297	(235,721)
	<b>4,869,432</b>	<b>7,500,373</b>

Disclosures relating to related to related party transactions with Director or Key management personnel are set out in Note 25.

#### b. Equity instrument disclosures relating to key management personnel

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

##### i. Performance rights issued to key management personnel

2012					
Name	Balance at Start of Year	Granted as Compensation	Exercised	Lapsed During Year	Balance at Year End
<b>CEO and Managing Director</b>					
Mr M Hooper	–	4,051,237	–	–	4,051,237
<b>Key Executive</b>					
Mr J Sells	710,227	302,581	–	–	1,012,808
<b>Former Key Executive</b>					
Mr P Tilley	205,807	–	–	(205,807)	–
2011					
Name	Balance at Start of Year	Granted as Compensation	Exercised	Lapsed During Year	Balance at Year End
<b>Former Director</b>					
Mr E de Alwis	1,037,468	–	–	(1,037,468)	–
<b>Key Executives</b>					
Mr J Sells	–	710,227	–	–	710,227
Mr P Tilley	282,870	–	–	(77,063)	205,807
<b>Former Key Executives</b>					
Mr I Finlay	161,779	–	–	(161,779)	–
Mr K Jeffs	111,213	–	–	(111,213)	–
Mr M Smith	313,733	–	–	(313,733)	–
Ms J Toh	436,616	–	–	(436,616)	–
Mr S Waller	279,700	–	–	(279,700)	–



## 24. Key management personnel disclosures (continued)

## ii. Equity holdings of key management personnel

2012	Number of Shares at Start of Year	Number of Shares Acquired through Share Plans during the Year	Number of Shares Purchased during the Year (excluding share plans)	Number of Shares Sold during the Year	Other Changes	Number of Shares at End of Year
<b>Directors</b>						
Mr B Jamieson	254,993	65,582 <sup>1</sup>	100,000	–	–	420,575
Mr D Bayes	116,144	36,391 <sup>1</sup>	–	–	–	152,535
Mr R Gunston	18,642	29,726 <sup>1</sup>	–	–	–	48,368
Mr D Manuel	50,414	34,175 <sup>1</sup>	–	–	–	84,589
Ms L Nicholls, AO	427,285	37,278 <sup>1</sup>	–	–	–	464,563
<b>Former Directors</b>						
Mr W Scott (resigned 8 June 2011)	6,288,642	7,848 <sup>1</sup>	–	–	(6,296,490) <sup>3</sup>	–
<b>CEO and Managing Director</b>						
Mr M Hooper	100,000	5,377,649 <sup>2</sup>	–	–	–	5,477,649
<b>Key Executive Personnel</b>						
Mr G Dunne (commenced 25 July 2011)	–	1,639,925 <sup>2</sup>	–	–	–	1,639,925
Mr J Sells	–	1,554,983 <sup>2</sup>	150,000	–	–	1,704,983
<b>Former Key Executive Personnel</b>						
Mr P Tilley	4,000	5,254	–	–	(9,254) <sup>3</sup>	–

1. Represents shares purchased on market under the Non-Executive Director Share Plan.

2. Represents shares allocated which are yet to fully vest under Sigma Employee Share Plan and Sigma Executive Loan Funded Share Plan (LTI).

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

2011	Number of Shares at Start of Year	Number of Shares Acquired through Share Plans during the Year	Number of Shares Purchased during the Year (excluding share plans)	Number of Shares Sold during the Year	Other Changes	Number of Shares at End of Year
<b>Directors</b>						
Mr B Jamieson	187,020	67,973	–	–	–	254,993
Mr D Bayes	74,845	41,299	–	–	–	116,144
Mr R Gunston	–	18,642	–	–	–	18,642
Mr D Manuel	14,658	35,756	–	–	–	50,414
Ms L Nicholls, AO	377,954	49,331	–	–	–	427,285
Mr W Scott	6,251,961	36,681	–	–	–	6,288,642
<b>Former Directors</b>						
Mr D Curlewis	53,704	–	–	(20,000)	(33,704) <sup>1</sup>	–
Mr E de Alwis	2,423,457	–	–	–	(2,423,457) <sup>1</sup>	–
Dr J Stocker, AO	322,161	–	–	–	(322,161) <sup>1</sup>	–
<b>CEO and Managing Director</b>						
Mr M Hooper	100,000	–	–	–	–	100,000
<b>Key Executive Personnel</b>						
Mr P Tilley	4,000	–	–	–	–	4,000
<b>Former Key Executive Personnel</b>						
Mr K Jeffs	14,000	–	–	–	(14,000) <sup>1</sup>	–
Mr M Smith	76,001	(8,000)	–	–	(68,001) <sup>1</sup>	–
Ms J Toh	30,772	–	–	–	(30,772) <sup>1</sup>	–

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



## Notes to the Consolidated Financial Statements (continued)

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### 25. Related party disclosures

#### The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group.

#### Controlled entities

Interests in controlled entities are set out in Note 28.

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

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

#### Key Management personnel

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

#### Other transactions with Directors

##### (a) Purchases by Directors or Director-related entities

Directors and their Director-related entities purchase goods from the Group on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to other customers of the Group.

Mr W Scott and his former Director-related entities purchased pharmacy products from the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the financial year ended 31 January 2012 was \$1,429,568, during the time he was a Director (2011 – \$13,127,972).

Also, Mr W Scott and his former Director-related entities provided services to the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these services during the financial year ended 31 January 2012 was \$3,300, during the time he was a Director (2011 \$12,000).

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 2012 was \$4,839,016 (2010 – \$5,282,404).

The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 12 was \$511,988 (2011– \$1,509,727). 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.

### 26. Guarantees

Guarantees	2012 \$'000	2011 \$'000
<b>Guarantees existed at the end of year in respect of:</b>		
Sigma Rewards guarantee <sup>(a)</sup>	–	16,000
Other guarantees	987	1,012
	<b>987</b>	<b>17,012</b>

(a) Amount represents a bank guarantee in respect of financing payment obligations under the Sigma Rewards program to ensure the finance charge abides by the credit rating agency's requirements. As the Sigma Rewards facility was paid out and fully extinguished on 9 February 2011, the guarantee was withdrawn on the same date.

#### Deed of cross guarantee

Under the terms of a Deed of Cross Guarantee dated 20 January 2006, entered into accordance with the ASIC Class Order 98/1418, the Company has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the Deed (See Note 28).

## 27. Contingencies

### Shareholder Class Action

On 29 October 2010, the Company was served with a statement of claim filed in the Federal Court of Australia making various allegations against the Company concerning its market disclosures during 2009 and 2010. The applicants are seeking declarations and unquantified damages. The information usually required by AASB 137 Provisions, Contingencies and Contingent Liabilities is not disclosed on the grounds that it can be expected to prejudice seriously the outcome of the litigation. The Company refutes these allegations and is defending the proceedings.

## 28. Details of controlled entities

	Country of formation or incorporation	Sigma Pharmaceuticals Group direct or indirect interest in ordinary shares/equity	
		2012 %	2011 %
<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
Leodis (Australia) Company Proprietary Limited <sup>a</sup>	Australia	100	100
Amcal Pty. Limited <sup>a</sup>	Australia	100	100
Extend – A – Care Pty. Ltd <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 Finance Pty. Ltd <sup>a</sup>	Australia	100	100
Sigma NZ Limited	New Zealand	100	100
Pharmacy Wholesalers (Wellington) Limited	New Zealand	100	100
Whole Health Solutions Pty. Ltd <sup>a</sup>	Australia	100	100
Adrian Laboratories (Aust) Pty. Ltd <sup>a</sup>	Australia	100	100
Hilton Healthstream Pty. Ltd <sup>a</sup>	Australia	100	100
Health Haven Pty. Ltd <sup>a</sup>	Australia	100	100
Integrated Naturopathic Services Pty. Ltd <sup>a</sup>	Australia	100	100
Sigma Services Proprietary Limited <sup>a</sup>	Australia	100	100
QDL Limited <sup>a</sup>	Australia	100	100
Australian Pharmaceuticals Distributors Pty. Ltd <sup>a</sup>	Australia	100	100
QDL Pharmaceuticals Pty. Ltd <sup>a</sup>	Australia	100	100
Sunshine Pharmacies Pty. Ltd <sup>a</sup>	Australia	100	100
Sigma Research Pty. Ltd <sup>a</sup>	Australia	100	100
Pharmacy Finance Limited <sup>a</sup>	Australia	100	100
Sigma (W.A.) Pty. Ltd <sup>a</sup>	Australia	100	100

a. These wholly-owned companies are subject to a deed of cross guarantee. (See Note 33)



## Notes to the Consolidated Financial Statements (continued)

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### 29. Superannuation and share ownership plans

#### Superannuation funds

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

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

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

#### Industry plans

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

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

#### Employee Share Plan

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

At balance date the following shares were on issue under the Employee Share Plan:

Issue Date	Issue Price <sup>(a)</sup>	Total Shares on Issue <sup>(a)</sup>
9 December 2002	\$0.89	382,298
4 August 2003	\$1.28	596,507
20 September 2004	\$1.66	1,220,957
16 June 2006	\$2.48	1,699,500
21 January 2009	\$0.97	1,653,100
15 January 2010	\$1.00	1,089,500
23 May 2011	\$0.38	1,329,262
		7,971,124

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

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

Interest free loans from Sigma Employee Share Administration Pty Ltd to employees are for a period of 10 years and are secured by the shares issued. The loans are repayable from dividends received on the shares and from voluntary loan repayments. If an employee leaves employment within the Group, he or she can repay the loan in full and acquire unrestricted ownership of the shares. If the employee does not wish to acquire the shares and repay the loan, the shares are transferred to Sigma Employee Share Administration Pty Ltd for later sale on market to repay the remaining balance of the loan.

#### Executive Loan Funded Share Plan

During the year, the Company implemented a loan funded share plan for the 2011 executive long term incentive plan (set out on page 39 of the Remuneration report)

At balance date the following shares were on issue under the Executive Loan Funded Share Plan:

Issue Date	Issue Price	Total Shares on Issue
28 June 2011	\$0.51	11,541,684
4 July 2011	\$0.54	1,639,925
		13,181,609



### 30. Credit facilities

	2012 \$'000	2011 \$'000
<b>Credit standby arrangements</b>		
Secured bank overdraft facilities	4,000	4,000
Amount of credit unused	4,000	4,000
Corporate credit card	3,000	7,000
Amount of credit unused	2,833	6,557
Waratah debtors securitisation facility available	200,000	100,000
Waratah debtors securitisation facility unused <sup>(a)</sup>	165,000	37,600
Sigma Rewards securitisation facility available <sup>(b),(c)</sup>	–	650,000
Sigma Rewards debtors securitisation facility unused	–	260,000

(a) The Group has utilised \$35.0 million of the Waratah facility as at 31 January 2012 (2011: \$62.4 million).

(b) The Group has fully repaid Sigma Rewards debt on 9 February 2011.

(c) Refer to Note 18. The Sigma Rewards debt has been recorded on balance sheet as at 31 January 2011.

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

	2012 \$'000	2011 \$'000
<b>(a) Reconciliation of cash and cash equivalents</b>		
Cash at the end of the financial period as shown in the Cash Flow Statement is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on hand	148,601	607,886
Less: Waratah cash collections offset against Waratah liability	–	(50,982)
Cash and cash equivalents	148,601	556,904
<b>(b) Reconciliation of profit/(loss) for the year to net cash flows from operating activities</b>		
Profit/(Loss) for the year	49,172	(235,382)
Impairment of goodwill and other assets	12,496	288,926
Depreciation expense	5,074	13,772
Amortisation expense	435	33,921
Reversal of loan receivable provision	(709)	–
Reversal of restructure provision	(1,570)	–
Write back of Derivative reserve	(653)	–
Share-based payments (benefit)/expense	(746)	2,643
Loss on sale of property, plant and equipment	188	191
Loss/(Profit) on sale of discontinued operations	1,090	(27,874)
<i>Change in assets and liabilities:</i>		
Increase/(decrease) in net taxes payable	7,950	(20,540)
Decrease in inventories	11,309	25,888
Decrease in trade, other debtors and prepayments	27,443	94,491
Increase/(decrease) in trade, other creditors, employee entitlements and other provisions	34,292	(74,794)
<b>Net cash flows from operating activities</b>	<b>145,771</b>	<b>101,242</b>



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 32. Parent company financial information

#### (a) Summary financial information

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

	2012 \$'000	2011 \$'000
<b>Statement of Financial Position</b>		
Current assets	54,788	44,318
<b>Total assets</b>	<b>426,622</b>	<b>416,818</b>
Current liabilities	873	49,015
<b>Total liabilities</b>	<b>12,826</b>	<b>60,912</b>
<b>Net assets</b>	<b>413,796</b>	<b>355,906</b>
<b>Equity</b>		
Issued capital	377,871	1,919,708
Reserves – Share based payments	3,825	3,144
Accumulated profit/(loss)	32,100	(1,566,946)
<b>Total equity</b>	<b>413,796</b>	<b>355,906</b>
<b>Profit/(Loss) for the year</b>	<b>259,670</b>	<b>(868,859)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>259,670</b>	<b>(869,099)</b>

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

Carrying amount included in liabilities

–

The parent entity has provided financial guarantees in respect of loans of subsidiaries amounting to \$35.0 million (2011: \$62.4 million), secured by way of deed over certain Sigma accounts receivable under the Waratah facility.

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

#### (c) Contingent liabilities of the parent entity

Please refer to Note 27 for comment on shareholder class action. The parent entity did not have any contingent liabilities as at 31 January 2012. For information about guarantees given by the parent entity, please see above.

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

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 January 2012 or 31 January 2011.

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

The carrying value of the parent's investment in subsidiaries as at 31 January 2012 was \$363.5 million (2011: \$363.5 million). In the prior financial year \$672.8 million of the parent Company's investment in subsidiaries was disposed due to the sale of the Pharmaceuticals Division and the carrying value of the parent's investment in subsidiaries was determined after the above derecognition.

#### (f) Receivables from controlled entities

During the 2012 financial year, an impairment gain of \$7.1 million (2011: \$12.1 million loss) was recognised in the parent Company books in relation to an intercompany loan receivable. The parent loan receivable is not overdue and eliminates on consolidation.

#### (g) Parent Company capital reduction

During the year, the parent entity has made a reduction of capital under section 258F of the Corporations Act by writing off past retained losses of \$1.534 billion against its share capital as described in note 20(g).

### 33. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) the wholly-owned Australian controlled entities listed in Note 28 footnote (a) are relieved from the Corporations Act requirements for the preparation, audit and lodgement of financial reports. These entities which are also referred to in the Directors' Declaration are, together with the Company, all members of the 'Extended Closed Group' as defined under the Class Order and are parties to a Deed of Cross Guarantee dated 20 January 2006 which provides that the parties to the Deed will guarantee to each creditor payment in full of any debt of these entities on winding up of that entity.

A Consolidated Income Statement 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 2012 are set out below:

	2012 \$'000	2011 \$'000
<b>Sales revenue</b>	<b>2,853,867</b>	2,914,271
Cost of goods sold	<b>(2,651,188)</b>	(2,737,686)
<b>Gross profit</b>	<b>202,679</b>	176,585
Other revenue and income	<b>36,219</b>	36,050
Warehousing and delivery expenses	<b>(94,890)</b>	(73,581)
Sales and marketing expenses	<b>(46,824)</b>	(51,232)
Administration and other expenses	<b>(12,684)</b>	(68,846)
Impairment of goodwill	–	(38,343)
Plant rationalisation and restructuring costs	<b>1,570</b>	(6,635)
<b>Profit/(Loss) before finance costs</b>	<b>86,070</b>	(26,002)
Finance income	<b>7,142</b>	1,027
Financial expenses	<b>(5,517)</b>	(79,775)
<b>Net financing income/(costs)</b>	<b>1,625</b>	(78,748)
<b>Profit/(Loss) before income tax</b>	<b>87,695</b>	(104,750)
<b>Income tax (expense)/benefit</b>	<b>(21,624)</b>	14,826
<b>Profit/(Loss) from continuing operations</b>	<b>66,071</b>	(89,924)
<b>Loss from discontinued operations</b>	<b>(1,090)</b>	(162,300)
Retained profits/(losses) at the beginning of the financial period	<b>(561,347)</b>	(309,123)
Total available for appropriation	<b>(496,366)</b>	(561,347)
Dividends provided for or paid	<b>(197,599)</b>	–
<b>Retained losses at the end of the financial period</b>	<b>(693,965)</b>	(561,347)



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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

	2012 \$'000	2011 \$'000
<b>Statement of Financial Position</b>		
<b>Current assets</b>		
Cash and cash equivalents	148,136	556,833
Trade and other receivables	576,023	647,970
Current income tax receivable	–	3,775
Inventories	214,217	225,526
Derivative financial instruments	–	666
Prepayments	2,687	2,747
Non current assets held for sale	–	14,000
<b>Total current assets</b>	<b>941,063</b>	<b>1,451,517</b>
<b>Non-current assets</b>		
Trade and other receivables	23,346	9,555
Property, plant and equipment	68,602	52,534
Derivative financial instruments	–	1,277
Intangible assets	12,468	12,752
Deferred tax assets	18,951	19,315
<b>Total non-current assets</b>	<b>123,367</b>	<b>95,433</b>
<b>Total assets</b>	<b>1,064,430</b>	<b>1,546,950</b>
<b>Current liabilities</b>		
Trade and other payables	319,457	348,385
Borrowings	35,000	358,577
Current income tax liabilities	6,130	–
Provisions	8,997	10,804
Deferred income	503	20
<b>Total current liabilities</b>	<b>370,087</b>	<b>717,786</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	5,950	8,499
Provisions	888	510
Deferred income	80	229
<b>Total non-current liabilities</b>	<b>6,918</b>	<b>9,238</b>
<b>Total liabilities</b>	<b>377,005</b>	<b>727,024</b>
<b>Net assets</b>	<b>687,425</b>	<b>819,926</b>
<b>Equity</b>		
Contributed equity	1,365,258	1,367,647
Reserves	16,132	13,626
Accumulated losses	(693,965)	(561,347)
<b>Total parent entity interest</b>	<b>687,425</b>	<b>819,926</b>



## 34. Financial instruments

### Financial risk management

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

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

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

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

For the year ended 31 January 2012, no new hedges were executed on the basis that the business was substantially cash positive during the year and purchases of stock in foreign currency was immaterial.

The Group holds the following financial instruments:

	2012 \$'000	2011 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	148,601	556,904
Trade and other receivables	613,748	648,799
Derivative financial instruments	–	1,943
	<b>762,349</b>	<b>1,207,646</b>
<b>Financial liabilities</b>		
Trade and other payables	340,669	340,754
Borrowings	35,000	358,577
	<b>375,669</b>	<b>699,331</b>

#### (a) Market risk

##### (i) Foreign exchange risk

The Group operates mainly within Australia and maintains a subsidiary operation within New Zealand. Due to the disposal of the Pharmaceuticals Division to Aspen on 31 January 2011, the Group's exposure to foreign currency risk has reduced significantly during the period. 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.

All foreign exchange hedges were closed out by 31 January 2011 and no new hedges have been executed. Only a small portion of the Group's supply contracts are sourced from overseas entities and payable in the corresponding local currency. The major currencies were principally Euros (EUR) and New Zealand Dollars (NZD).

##### (ii) Cash flow and fair value interest rate risk

Interest rate risk relates to the Group's cash flow exposures to changes in interest rates on the Group's interest bearing liabilities. As interest rates fluctuate, the amount of interest payable on financing where the interest rate is not fixed will also fluctuate. Consistent with the Policy, the Group may seek to mitigate its exposure to fluctuations in interest rates by entering into interest rate hedging contracts for a portion of forecast interest rate exposures.

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



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 34. Financial instruments (continued)

The Group used part of the net proceeds of the sale of Pharmaceuticals Division to repay significant amounts of its debt as at 31 January 2011 and further repayments were made during the period. The Group's main interest rate risk now arises from borrowings under the Waratah facility (refer Note 18.).

The Group's exposure to cash flow variability due to interest rate changes has reduced during the period following the repayment of debt and the remaining interest rate swap was closed out by 16 March 2011. The gain on the close out of the hedges is being amortised in other comprehensive income over the original period of the contracts. The Group has not entered into any further interest rate hedge.

At balance date there was an interest rate cap of \$75.0 million with a weighted average cap rate of 6.0% that is expiring on 25 July 2012. The fair value of the cap at balance date is \$nil due to the cap rate of 6% being greater than the bank bill swap reference rate (BBSW) at that date.

#### (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 2012				31 January 2011			
	Carrying Amount \$'000	Weighted Average Interest Rate %	-1% Profit \$'000	+1% Profit \$'000	Carrying Amount \$'000	Weighted Average Interest Rate %	-1% Profit \$'000	+1% Profit \$'000
<b>Financial assets</b>								
Cash and cash equivalent	148,601	4.7%	(1,486)	1,486	556,904	4.2%	(5,569)	5,569
Accounts receivable	592,478	–	–	–	640,991	–	–	–
Derivatives – cash flow hedges	–	–	–	–	1,943	–	(493)	493
<b>Financial liabilities</b>								
Trade payables	(311,554)	–	–	–	(251,284)	–	–	–
Borrowings	(35,000)	6.6%	350	(350)	(358,577)	7.0%	3,586	(3,586)
<b>Total increase/(decrease)</b>			(1,136)	1,136			(2,476)	2,476

#### (b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Only reputable banks and financial institutions are accepted. The Group cash at bank is with the Westpac Banking Corporation which has a AAA rating.

The principal activity of the Group gives rise to a significant receivables value within the financial assets of the Group. The credit risk on financial assets of the Group which have been recognised on balance sheet is generally the carrying amount, net of any provisions for doubtful debts. The maximum exposure to credit risk at the reporting date is the higher of the carrying value and fair value of the receivables.

Credit assessments are undertaken to determine the credit quality of the customer, taking into account their financial position, past experience and other relevant factors. Individual risk limits are granted in accordance with the internal Credit Policy and authorised via appropriate personnel as defined by the Group's Delegation of Authority manual. The utilisation of credit limits by customers is regularly monitored by operational management. The Group generally retains title over the goods sold until full payment is received, thus limiting the loss from a possible default to the profit margin made on the sale.

Credit risk further arises in relation to financial guarantees (refer to Note 26.) given to certain parties. Such guarantees are only provided in exceptional circumstances and are approved by senior management.

### 34. Financial instruments (continued)

#### (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.

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

#### (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).

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

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

#### Net fair value of derivative instruments

The fair value of Sigma's derivative financial instruments is detailed below:

	Consolidated	
	2012 \$'000	2011 \$'000
<b>Current assets</b>		
Interest rate options – cash flow hedges	–	36
Interest rate swaps – cash flow hedges	–	630
<b>Total current derivative financial instrument assets</b>	–	666
<b>Non current assets</b>		
Interest rate options – cash flow hedges	–	17
Interest rate swaps – cash flow hedges	–	1,260
<b>Total non current derivative financial instruments assets</b>	–	1,277
<b>Total derivative assets current and non-current</b>	–	1,943



## Notes to the Consolidated Financial Statements (continued)

For the year ended 31 January 2012

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### 34. Financial instruments (continued)

#### Instruments used by the Group

The Group was party to derivative financial instruments in the normal course of the business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies. The Group previously utilised interest rate swaps and caps but the majority of these instruments have been closed out and no new instruments have been entered into during the period.

#### Interest rate swap contracts – cash flow hedges

Interest rate swaps allow the Group to swap floating rate borrowings into fixed rate obligations. Each swap entered into involves the payment or receipt of the net amount of interest between fixed and floating rates on a monthly basis, calculated by reference to an agreed notional principal amount.

The weighted average fixed interest rate on the Group's interest rate swap contracts for the financial period ending 31 January 2012 was nil (2011: 4.0%) over a notional principal of nil (2011: \$51.12 million).

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the statement of comprehensive income when the hedged interest expense is recognised and included in finance costs. This loss does not reflect ineffective hedges, instead it reflects the floating interest rate compared to the fixed swap rate. Any ineffective portion is recognised in the profit and loss immediately.

#### Interest rate option contracts – cash flow hedges.

Interest rate options allow the Group to achieve predetermined maximum and/or minimum interest rates for its exposure to floating interest rate obligations on an agreed notional principal amount.

Interest rate options include caps, floors and collars. Interest rate options held as at 31 January 2012, comprised of one interest rate cap with the weighted average cap rate of 6.0% (2011: 6.0%) over a notional principal of \$75 million (2011: \$100 million).

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and reclassified into the statement of comprehensive income when the hedged interest expense is recognised and included in finance cost. The ineffective portion is then recognised in the profit and loss immediately. Changes in the extrinsic value of interest rate options are periodically recorded in the profit and loss over the life of the instrument.

#### Summary of interest rate derivative financial instruments

##### As at 31 January 2012

Maturing in the period ending	Interest Rate Swaps		Interest Rate Caps		Interest Rate Floors	
	Notional face value \$'000	Average Rate %	Notional face value \$'000	Average Rate %	Notional face value \$'000	Average Rate %
1 year or less	–	–	75,000	6.00	–	–

##### As at 31 January 2011

Maturing in the period ending	Interest Rate Swaps		Interest Rate Caps		Interest Rate Floors	
	Notional face value \$'000	Average Rate %	Notional face value \$'000	Average Rate %	Notional face value \$'000	Average Rate %
1 year or less	1,120	6.66	25,000	6.00	–	–
1 to 2 years	–	–	75,000	6.00	–	–
2 to 5 years	50,000	3.98	–	–	–	–

### 35. Events subsequent to reporting date

#### Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked final dividend of 2.0 cents plus a fully franked special dividend of 1.5 cents, to be paid on 27 April 2012 to shareholders on the register at the ex-dividend date of 28 March 2012. The total amount payable for these dividends is \$41.25 million.



## Directors' Declaration

In the opinion of the directors of Sigma Pharmaceuticals Limited:

- (a) the financial statements and notes, set out on pages 48 to 90, 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 2012 and of its performance for the financial year ended on that date; and
  - (ii) complying with Australian Accounting Standards, the Corporate Regulations 2001, and other mandatory professional reporting requirements ; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in Note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC class Order 98/1418.

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

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 January 2012 pursuant to Section 295A of the Corporations Act 2001.

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



**Mr Brian Jamieson**  
Chairman

Melbourne  
21 March 2012



**Mr Mark Hooper**  
CEO and 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 (the company), which comprises the statement of financial position as at 31 January 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Sigma Pharmaceuticals Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

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

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

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

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

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Independence*

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

### *Auditor's opinion*

In our opinion:

- (a) the financial report of Sigma Pharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the remuneration report included in pages 30 to 46 of the directors' report for the year ended 31 January 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's opinion*

In our opinion, the remuneration report of Sigma Pharmaceuticals Limited for the year ended 31 January 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Mary B. Waldron'.

Mary Waldron  
Partner

Melbourne  
21 March 2012



## Shareholder Information

### Equity Security Holders

As at 15 March 2012, the Company has 1,178,626,572 ordinary shares on issue. Further details of the Company's equity securities are as follows:

### Largest holders

The following table shows the 20 largest registered shareholders as at 15 March 2012 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
National Nominees Limited	205,389,454	17.43%
HSBC Custody Nominees (Australia) Limited	200,835,417	17.04%
J P Morgan Nominees Australia Limited	190,436,932	16.16%
Citicorp Nominees Pty Limited	70,538,719	5.98%
Cogent Nominees Pty Limited	44,046,813	3.74%
JP Morgan Nominees Australia Limited	19,421,124	1.65%
RBC Dexia Investor Services Australia Nominees Pty Limited	17,689,285	1.50%
Queensland Investment Corporation	6,310,519	0.54%
HSBC Custody Nominees (Australia) Limited-GSCO ECA	6,031,056	0.51%
AMP Life Limited	4,885,248	0.41%
Invia Custodian Pty Limited	3,469,715	0.29%
S.E.S.A	3,197,876	0.27%
Invia Custodian Pty Limited	2,823,763	0.24%
Citicorp Nominees Pty Limited	2,703,208	0.23%
Cogent Nominees Pty Limited	2,272,794	0.19%
Nabru Nominees Pty Limited	2,198,995	0.19%
Share Direct Nominees Pty Ltd	2,142,680	0.18%
UBS Wealth Management Australia Nominees Pty Ltd	2,026,329	0.17%
Mr Lewis Craig Butler & Mr Neil Joseph Butler	2,013,334	0.17%
Ticketyboom Pty Ltd	2,000,000	0.17%
<b>Total</b>	<b>790,433,261</b>	<b>67.06%</b>
<b>Balance of Register</b>	<b>388,193,311</b>	<b>32.94%</b>
<b>Grand Total</b>	<b>1,178,626,572</b>	<b>100.00%</b>

### Substantial shareholders

The following table shows the substantial holders in the Company as notified to the Company in substantial holding notices as at 15 March 2012:

Names	Noted Date of Change	Number of Equity Securities	Voting Power
Orbis Investment Management (Australia) Pty Ltd	19/10/2011	183,877,896	15.60%
Paradice Investment Management Pty Ltd	14/02/2012	100,123,934	8.50%
DFA Group	1/12/2011	59,591,388	5.06%



**Distribution of Equity Securities**

<b>Holdings Distribution</b>	
<b>Range</b>	<b>Number of Holders</b>
100,001 and Over	547
50,001 to 100,000	694
10,001 to 50,000	5,520
5,001 to 10,000	4,316
1,001 to 5,000	8,765
1 to 1,000	2,757
<b>Total</b>	<b>22,599</b>
<b>Unmarketable Parcels</b>	<b>2,089</b>

**Voting rights**

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

**Ordinary Shares**

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

**Performance Rights**

- Performance Rights have been issued to the CEO and Managing Director and CFO in the financial year 2011 as a sign on incentive.
  - maximum number of ordinary shares which may be issued if the performance conditions are achieved: 5,064,045
- Performance Rights have been issued to 11 employees as part of the Executive Short Term Incentive Plan.
  - maximum number of ordinary shares which may be issued if the performance conditions are achieved: 1,222,420

**Shareholder Calendar\***

	<b>2011/12 Full Year Results</b>	<b>2012/13 Half Year Results</b>
Results Announced	22 March 2012	13 September 2012
Ex-Dividend Date	28 March 2012	TBA
Dividend Record Date	3 April 2012	TBA
Dividend Payment Date	27 April 2012	TBA

**Annual General Meeting:** 9 May 2012

\* Dates may be subject to change



## Five Year Summary

	2008 \$m	2009 \$m	2010 \$m	2011 \$m	2012 \$m
<b>Operating results</b>					
Sales revenue	2,966.5	3,081.3	3,220.4	3,339.6	2,853.9
EBITDA/(LBITDA)	195.5	235.0	(276.4)	(111.3)	74.7
EBIT/(LBIT)	158.6	190.3	(322.2)	(159.0)	69.2
Profit/(Loss) before tax	109.4	113.5	(394.3)	(237.7)	70.8
Profit/(Loss) after tax	77.2	80.1	(398.3)	(235.4)	49.2
<b>Financial position</b>					
Working capital	279.4	179.5	216.5	615.2	495.1
Fixed assets (incl intangibles)	1,397.7	1,515.0	1,113.6	67.6	83.2
Other assets & liabilities	(54.7)	(108.9)	(61.8)	(52.0)	(9.4)
Capital employed	1,622.4	1,585.6	1,268.3	630.8	568.9
Net debt/(Net cash)	421.7	387.7	210.6	(202.1)	(113.6)
Net assets	1,200.7	1,197.9	1,057.7	832.9	682.5
<b>Shareholder related</b>					
Dividend					
– ordinary per share	7.0c	7.0c	3.0c	–	3.5c
– special per share	–	–	–	15.0c	1.5c
– total dividends (\$m)	61.0	59.9	35.0	176.8	58.9
Earnings/(Loss) per share	8.5c	9.4c	(41.7c)	(20.2c)	4.2c
Dividend payout ratio	79%	75%	N/A	N/A	120%
Net tangible asset backing per share	1.0c	(16.0c)	14.0c	69.0c	57.0c
Market capitalisation (year end) (\$m)	1,293	1,044	1,102	524	707
<b>Ratios and Returns</b>					
EBIT margin <sup>1</sup>	5.3%	6.2%	(10.0%)	(4.8%)	2.4%
Gearing <sup>2</sup>	26.0%	24.5%	16.6%	N/A	N/A
Interest cover <sup>3,4</sup>	4.0x	3.1x	(3.8x)	(1.4x)	N/A

1. EBIT/Sales Revenue

2. Net Debt/Capital Employed (year end). As at 31 January 2011 and 31 January 2012, the Group had cash and cash equivalents over and above total debt.

3. Reported EBITDA/Net Financing Costs (times)

4. As at 31 January 2012, the Group had positive Net financing income.

## Contact

### Company Details

Sigma Pharmaceuticals Limited  
Registered Office  
3 Myer Place  
Rowville  
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Australia  
[www.sigmaco.com.au](http://www.sigmaco.com.au)

### Corporate Head Office

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### Directors and Senior Management

Refer to website:  
[www.sigmaco.com.au](http://www.sigmaco.com.au)

### Company Secretary

**Sue Morgan**  
3 Myer Place  
Rowville  
VIC 3178 Australia

### Investor Relations

**Chanmali Tregambe**  
Email [investor.relations@signet.com.au](mailto:investor.relations@signet.com.au)

### Auditors

PricewaterhouseCoopers

### Share Registry Details

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Tel (International) +61 (0)2 8280 7111  
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[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Recent Dividends:

<b>Sigma Pharmaceuticals Limited</b>	
2012 Special Dividend	1.50c
2012 Final Dividend	2.00c
2012 Interim Dividend	1.50c
2012 Special Dividend	15.00c

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