Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Interim report

For the half year ended 31 July 2012

Lodged with the Australian Stock Exchange under Listing Rule 4.2

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Sigma will host a presentation to analysts and media on Thursday 13 September 2012 at 10.00 am with all presentation material posted to Sigma's website (www.sigmaco.com.au)

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Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Results for announcement to the market

For the half year ended 31 July 2012
compared to prior half year period ended 31 July 2011

Group Results				$'000
Sales revenue	up	3.5%	to	1,419,831
Total revenue and income	up	3.5%	to	1,438,623
Earnings before interest and tax (EBIT)	down	7.7%	to	35,095
Net profit after tax attributable to members	down	2.1%	to	26,107

Group Ratios				
Earnings per share				
Basic EPS	no change	-	to	2.3c
EBIT/Sales margin	down	10.8%	to	2.5%

Dividends	Amount per security	Franked amount per security at 30% tax rate
Interim dividend	2.0c	100%
Interim dividend - previous corresponding period	1.5c	100%
The record date for determining entitlements to the interim dividend	27 September 2012	

Please refer to attached commentary and analysis for explanation of figures shown in this report.

Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Commentary and analysis

The table below provides a summary of the Group's reported financial performance for the half year ended 31 July 2012

Group Financial Results – Half Year Summary

Group Results	31 July 2012 $000	31 July 2011 $000	Change %
Sales revenue	1,419,831	1,372,275	Up 3.5%
EBITDA	37,857	40,678	Down 6.9%
Depreciation and amortisation	2,762	2,637	Up 4.7%
Earnings before interest and tax (EBIT)	35,095	38,041	Down 7.7%
Net profit after tax (NPAT)	26,107	26,655	Down 2.1%
EBIT/Sales (EBIT margin)	2.47%	2.77%	Down 10.8%
Basic EPS	2.3c	2.3c	No change
Net tangible asset backing per ordinary share	55.2c	56.2c	Down 1.7%

Sales revenue grew slightly against the corresponding half year, which was a pleasing result given the price changes for Pharmaceutical Benefit Scheme (PBS) list products that were implemented on 1 April, 2012. This sales growth was a result of market share gains and includes a full six months of sales revenue from customer groups acquired in 2011.

Earnings before Interest and tax (EBIT) decreased on the prior corresponding half year primarily due to the one off transitional inventory gain resulting from the sale of Pharmaceutical division to Aspen Australia at 31 January 2011, not repeating in the current half year. In addition, whilst savings have been achieved in doubtful debts, legal, IT and back office expenses, operating costs have been impacted by the additional expenditure required for project management of strategy execution and in broadening the management team required to implement strategy.

The current half year has seen an increase in the warehouse and delivery expenses. This was primarily a result of the Industrial dispute in February/March at the Victorian distribution centre, and increased activity resulting from the higher sales. This cost line is an area of focus for the company going forward to ensure that expenditure and service delivery to customers is optimised.

Net interest income was lower in the current half year due to the lower average cash held during the period. In the prior corresponding half year, a significant level of cash was on hand following the sale of the Pharmaceutical division, which was subsequently paid out to the shareholders in 2011 as a 15 cent special dividend. As at 31 July 2012, the company was in a net cash position of $125 million which was a $12 million improvement on the opening net cash position at 31 January 2012.

Shareholder information

Shareholder's Calendar

	2012/13 Half Year Results
Results announced	13 September 2012
Ex-dividend date	21 September 2012
Record date	27 September 2012
Dividend payment date	26 October 2012

Stakeholder Queries

Share Registry Enquires:

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

Telephone (within Australia): 1300 139 653

E-mail: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Company Enquiries:

Mark Hooper Managing Director	Jeff Sells Chief Financial Officer	Chanmali Tregambe Manager Investor Relations

PO Box 2890
Rowville VIC 3178
Australia

Telephone: 03 9215 9215
Fax: 03 9215 9188

The Half Year Report and other company information can be found on Sigma's website at www.sigmaco.com.au

SIGMA PHARMACEUTICALS LIMITED ABN 15 088 417 403

Registered Office: 3 Myer Place, Rowville VIC 3178

Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Interim report

For the half year ended 31 July 2012

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 January 2012 and any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Directors' Report
Sigma Pharmaceuticals Limited

For the half year ended 31 July 2012

The Directors present their report on Sigma Pharmaceuticals Limited (the Company) and its controlled entities (the Group) for the half year ended 31 July 2012.

Directors
The names of the Directors of the Company during the half year and until 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

Review of operations

The Group's sales revenue for the half year was $1,419,831,000 compared with $1,372,275,000 for the prior corresponding period. This is an increase of 3.5%.

The Group's earnings before interest and tax for the half year were $35,095,000 compared with $38,041,000 for the corresponding period in 2011.

The Group's profit after tax attributable to members of the Company for the half year was $26,107,000 compared with $26,655,000 for the corresponding period in 2011.

Sales revenue grew slightly against the corresponding half year, which was a pleasing result given the price changes for Pharmaceutical Benefit Scheme (PBS) list products that were implemented on 1 April, 2012. This sales growth was a result of market share gains and includes a full six months of sales revenue from customer groups acquired in 2011.

Earnings before Interest and tax (EBIT) decreased on the prior corresponding half year primarily due to the one off transitional inventory gain resulting from the sale of Pharmaceutical division to Aspen Australia at 31 January 2011, not repeating in the current half year. In addition, whilst savings have been achieved in doubtful debts, legal, IT and back office expenses, operating costs have been impacted by the additional expenditure required for project management of strategy execution and in broadening the management team required to implement strategy.

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Net interest income was lower in the current half year due to the lower average cash held during the period. In the prior corresponding half year, a significant level of cash was on hand following the sale of the Pharmaceutical division, which was subsequently paid out to the shareholders in 2011 as a 15 cent special dividend. As at 31 July 2012, the company was in a net cash position of $125 million which was a $12 million improvement on the opening net cash position at 31 January 2012.

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 8.

Rounding of amounts
The Company is of the kind referred to in the Australian Securities and Investments Commission Class Order No. 98/100 dated 10 July 1998 relating to the "rounding off" of amounts in the financial report. In accordance with this Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Events subsequent to balance date

Subsequent to 31 July 2012 the following events and transactions have occurred:

1. Dividends

   Since the end of the half year, the Board of Directors has resolved to pay a fully franked interim dividend of 2.0 cents per share to be paid on 26 October 2012 to shareholders on the register at the ex dividend date of 21 September 2012. The total amount payable for these dividends $23,726,000.

2. On Market Share Buy-back

   Since the end of the half year, the Board of Directors has resolved to implement an on market share buy-back of up to 10% of issued capital.

No other matters or circumstances have arisen since 31 July 2012 that have 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.

Signed in accordance with a resolution of the Directors, dated 12 September 2012.

Brian Jamieson Chairman	Mark Hooper Managing Director

Melbourne,
12 September 2012

Deloitte.

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

12 September 2012

Dear Board Members,

Sigma Pharmaceuticals Limited

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

As lead audit partner for the review of the financial statements of Sigma Pharmaceuticals Limited for the half-year ended 31 July 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely,

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountants

Consolidated statement of comprehensive income

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2012

	Note	31 July 2012 $000	31 July 2011 $000
Sales revenue from continuing operations		1,419,831	1,372,275
Cost of goods sold		(1,316,426)	(1,269,308)
Gross profit		103,405	102,967
Other revenue and income		18,792	17,124
Warehousing and delivery expenses		(48,247)	(44,399)
Sales and marketing expenses		(17,351)	(21,591)
Administration expenses		(18,742)	(14,074)
Depreciation and amortisation		(2,762)	(2,637)
Plant rationalisation and restructuring costs	3.	-	651
Profit before financing costs		35,095	38,041
Financial income		2,297	5,180
Financial expenses		(1,023)	(3,162)
Net financing costs		1,274	2,018
Profit before income tax	3.	36,369	40,059
Income tax expense		(10,262)	(12,121)
Net profit from continuing operations		26,107	27,938
Loss from discontinued operations	5.	-	(1,283)
Net profit for the half year attributable to members		26,107	26,655
Other comprehensive income			
Changes in the fair value of cash flow hedges		(466)	(464)
Exchange differences on translation of foreign operations		(21)	55
Income tax relating to components of other comprehensive income		146	123
Other comprehensive loss for the half year, net of tax		(341)	(286)
Total comprehensive income for the half year		25,766	26,369
Earnings per share (EPS)		Cents	Cents
Basic EPS		2.3	2.3
Diluted EPS		2.2	2.3
Earnings per share (EPS) - Continuing operations		Cents	Cents
Basic EPS		2.3	2.4
Diluted EPS		2.2	2.4

Notes appearing on pages 13 to 22 are to be read as part of these consolidated interim financial statements.

Consolidated statement of financial position

Sigma Pharmaceuticals Limited

As at 31 July 2012

	Note	31 July 2012 $000	31 January 2012 $000
Current assets			
Cash and cash equivalents		145,765	148,601
Trade and other receivables		582,711	576,056
Income tax receivable		1,138	-
Inventories		224,081	214,217
Prepayments		2,384	2,687
Total current assets		956,079	941,561
Non-current assets			
Trade and other receivables		20,130	37,692
Property, plant and equipment	6.	68,862	68,602
Intangible assets	7.	14,368	14,597
Deferred tax assets		19,041	18,951
Total non-current assets		122,401	139,842
Total assets		1,078,480	1,081,403
Current liabilities			
Trade and other payables		370,098	340,669
Borrowings	8.	20,000	35,000
Income tax liabilities		-	6,192
Provisions		9,936	8,997
Deferred income		459	503
Total current liabilities		400,493	391,361
Non-current liabilities			
Deferred tax liabilities		7,737	6,547
Provisions		1,020	888
Deferred income		209	80
Total non-current liabilities		8,966	7,515
Total liabilities		409,459	398,876
Net assets		669,021	682,527
Equity			
Contributed equity	9.	1,365,302	1,365,258
Reserves		17,721	16,035
Accumulated losses		(714,002)	(698,766)
Total equity		669,021	682,527

Notes appearing on pages 13 to 22 are to be read as part of these consolidated interim financial statements.

Consolidated statement of cash flows
Sigma Pharmaceuticals Limited

For the half year ended 31 July 2012

	Note	31 July 2012 $000	31 July 2011 $000
Cash flows from operating activities			
Receipts from customers		1,586,037	1,582,428
Payments to suppliers and employees		(1,517,270)	(1,471,755)
Interest received		2,297	5,180
Interest paid		(1,078)	(3,845)
Income taxes paid		(16,349)	(6,070)
Net cash inflow from operating activities	13.	53,637	105,938
Cash flows from investing activities			
Payments for property, plant and equipment		(2,812)	(1,897)
Disposal of discontinued operations, net of cash disposed of	5.	-	(37,000)
Proceeds from sale of property, plant and equipment		16	178
Net cash outflow from investing activities		(2,796)	(38,719)
Cash flows from financing activities			
Net repayment of borrowings		(15,000)	(311,294)
Purchase of Sigma shares for Sigma Employee Share Plan	9b.	-	(3,666)
Proceeds from redemption of shares under Sigma Employee Share Plan	9b.	44	450
Receipts from Gateway and other loans receivable		1,938	687
Dividends paid	4.	(40,661)	(174,526)
Net cash outflow from financing activities		(53,679)	(488,349)
Net decrease in cash and cash equivalents		(2,838)	(421,130)
Cash and cash equivalents held at the beginning of the half year		148,601	556,904
Exchange rate adjustments to cash and cash equivalents held at the beginning of the half year		2	(2)
Cash and cash equivalents at the end of the half year		145,765	135,772

Notes appearing on pages 13 to 22 are to be read as part of these consolidated interim financial statements.

Consolidated statement of changes in equity

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2012

	Note	Contributed equity Issued Capital $'000	Issued capital held by Equity Compensation Plan $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 February 2011		1,390,492	(22,845)	13,626	(548,354)	832,919
Profit for the half year		-	-	-	26,655	26,655
Other comprehensive Income		-	-	(286)	-	(286)
Total comprehensive income for the half year		-	-	(286)	26,655	26,369
Transactions with owners in their capacity as owners:						
Movements in:						
- Unvested shares held by equity compensation plan		-	(3,216)	-	-	(3,216)
- Share-based remuneration plan		-	-	(2,897)	-	(2,897)
- Movement in contributed equity		(8,067)	8,067	-	-	-
Dividends appropriated		-	-	2,268	(176,794)	(174,526)
Dividends applied to equity compensation plan		-	-	(1,874)	-	(1,874)
		(8,067)	4,851	(2,503)	(176,794)	(182,513)
Balance at 31 July 2011		1,382,425	(17,994)	10,837	(698,493)	676,775
Balance at 1 February 2012		1,382,504	(17,246)	16,035	(698,766)	682,527
Profit for the half year		-	-	-	26,107	26,107
Other comprehensive Income		-	-	(341)	-	(341)
Total comprehensive income for the half year		-	-	(341)	26,107	25,766
Transactions with owners in their capacity as owners:						
Movements in:						
- Employee shares exercised	9b.	-	44	-	-	44
- Share-based remuneration plan		-	-	1,361	-	1,361
- Movement in contributed equity	9a.	1,901	(1,901)	-	-	-
Dividends appropriated	4.	-	-	682	(41,343)	(40,661)
Dividends applied to equity compensation plan		-	-	(16)	-	(16)
		1,901	(1,857)	2,027	(41,343)	(39,272)
Balance at 31 July 2012		1,384,405	(19,103)	17,721	(714,002)	669,021

Notes appearing on pages 13 to 22 are to be read as part of these consolidated interim financial statements.

1. Basis of financial report preparation and accounting policies

(a) Significant accounting policies

This condensed consolidated interim financial report for the half year reporting period ended 31 July 2012 has been prepared in accordance with the requirements of the *Corporations Act 2001* and Accounting Standard AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 'Interim Financial Reporting'.

The interim financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the Company's annual report for the year ended 31 January 2012, together with any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements have been prepared in Australian dollars under the historical cost convention. Comparative information has been reclassified where appropriate to enhance comparability.

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period, except for the standards and interpretations described below.

(b) Estimates

The preparation of this condensed consolidated interim financial report in conformity with AASB 134: Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing this condensed consolidated interim financial report the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial report as at and for the year ended 31 January 2012.

(c) New standards and interpretations

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

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.

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

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 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

1. Basis of financial report preparation and accounting policies (continued)

derecognition rules have been transferred from AASB 139 *Financial instruments* : Recognition and Measurement and have not been changed. The group has not decided when to adopt AASB9.

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective 1 July 2013)
On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. The Group is listed on the ASX and is therefore not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. As a consequence, the two standards will have no impact on the financial statements of the entity.

AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)
In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

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

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

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

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

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 31 January 2014.

1. Basis of financial report preparation and accounting policies (continued)

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)
In September 2011, the AASB made an amendment to AASB 101 *Presentation of Financial Statements* which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Group intends to adopt the new standard from 1 February 2013.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

AASB 119 *Employee Benefits* , AASB 2011-10 '*Amendments to Australian Accounting Standards arising from AASB 119'* (2011) *and AASB 2011-11 'Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)
Key amendments relate to change in accounting for defined benefit plans and employee benefit. The group is still assessing the impact of these amendments.

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

2. Segment information

Information on segments

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

For the year ended 31 January 2012 management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, that the Group operates only the Healthcare segment.

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

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

One customer contributes revenue which forms greater than 10% of the Group revenues. The customer has a long standing relationship with Sigma and a service contract is in place until October 2015. Sales revenue for the half year ended 31 July 2012 was $406m (2011: $349m).

	31 July 2012 $000	31 July 2011 $000
3. Profit for the half year		
Profit before income tax expense for continuing operations has been determined after including:		
Write down of inventories	919	6,109
Provision for doubtful debts	268	4,466
Reversal of impairment on Gateway loan book	(346)	(609)
Rationalisation and restructuring costs		
Amounts included in rationalisation and restructuring costs are detailed below:		
Other amounts	-	(651)
Total rationalisation and restructuring costs	-	(651)

4. Dividends

	31 July 2012 $000	31 July 2011 $000
Dividends paid during the half year		
Dividends recognised by the parent entity	41,343	176,794
Less: dividends paid on shares issued under the Employee share plan	(682)	(2,268)
Dividends paid by the group	40,661	174,526

Subsequent events

Since the end of the half year a fully franked interim dividend of 2.0 cents per share have been declared by the Directors (See Note 14)

5. 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.

During the prior half year the working capital adjustment was finalised and agreed with Aspen, with a payment of $37 million. A provision of $39 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 million gain recorded as profit from discontinued operations in the prior half year. This was offset by a $3 million tax adjustment resulting from the reversal of previous tax deductions claimed in prior tax years associated with acquisitions of the Pharmaceutical division.

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.

5. Discontinued Operations (continued)

In addition, the Group and Aspen have 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 agreement with the Pharmaceutical division for two years ending January 2013, and with the Generics division for five years ending January 2016.

	31 July 2012 $000	31 July 2011 $000
Loss on sale of discontinued operations	-	(1,283)
Income tax on loss on sale of discontinued operations	-	-
Loss from discontinued operations	-	(1,283)

Cash flows from (used in) discontinued operations

Net cash from operating activities	-	-
Net cash used in investing activities	-	(37,000)
Net cash used in financing activities	-	-
Net cash from discontinued operations	-	(37,000)

6. Property plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 31 January 2012			
Cost	42,953	59,775	102,728
Accumulated depreciation	(9,121)	(25,005)	(34,126)
Net book amount	33,832	34,770	68,602
Half year ended 31 July 2012			
Opening net book amount	33,832	34,770	68,602
Additions	-	2,812	2,812
Transfer of completed projects	34	(34)	-
Disposals	-	(7)	(7)
Depreciation	(249)	(2,296)	(2,545)
Closing net book amount	33,617	35,245	68,862
At 31 July 2012			
Cost	42,987	62,435	105,422
Accumulated depreciation	(9,370)	(27,190)	(36,560)
Net book amount	33,617	35,245	68,862

7. Intangible assets

	Brand names $'000
At 31 January 2012	
Cost	23,276
Accumulated amortisation	(8,679)
Net book amount	14,597
Half year ended 31 July 2012	
Opening net book amount	14,597
Additions	-
Foreign currency movements	(12)
Disposals	-
Amortisation	(217)
Closing net book amount	14,368
At 31 July 2012	
Cost	23,264
Accumulated amortisation	(8,896)
Net book amount	14,368

8. Borrowings

	31 July 2012 $000	31 Jan 2012 $000
Current		
Secured loans	20,000	35,000
Total current borrowings	20,000	35,000

Waratah Facility

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

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

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

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

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

9. Contributed equity

	2012 Shares	2011 Shares	2012 $'000	2011 $'000
(a) Movement in ordinary share capital during the half year				
Shares forfeited under the Employee Share Plan	(3,254,181)	(7,394,187)	(4,279)	(11,632)
Shares issued under the Employee Share Plan	1,339,043	1,358,159	797	517
Shares issued under the Long term incentive share plan	9,592,086	6,036,028	5,383	3,048
	7,676,948	-	1,901	(8,067)

	2012 Shares	2011 Shares	2012 $'000	2011 $'000
(b) Movement in treasury share capital during the half year				
Shares forfeited under the Employee Share Plan	3,254,181	7,394,187	4,279	11,632
Shares issued under the Employee Share Plan	(1,339,043)	(1,358,159)	(797)	(517)
Shares issued under the Long term incentive share plan	(9,592,086)	(6,036,028)	(5,383)	(3,048)
Acquisition of shares by trust	-	(7,145,581)	-	(3,666)
Employee shares exercised	68,207	487,851	44	450
	(7,608,741)	(6,657,730)	(1,857)	4,851

(c) Total movement in contributed equity	44	(3,216)

10. Guarantees

	31 July 2012 $'000	31 July 2011 $'000
Other guarantees	2,424	987
	2,424	987

11. Income tax

Tax liability

On 29 June 2012 Royal assent was given on the Taxation Laws Amendment (2012 measures no 2) Bill 2012 that relates to changes in the Tax consolidation rules. The changes will apply retrospectively and as a result there will be an impact on the Group in relation to various distribution agreements that were taken as deductions in 2009 income tax return. The quantification of the impact to the Group has not been finalised. As the distribution agreements relates to business sold to Aspen effective 31 January 2011 the adjustment will be disclosed as discontinued operations. It is anticipated that the amount will be immaterial.

12. Contingent Liabilities

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, Contingent Assets and Contingent Liabilities is not disclosed on the grounds that it can be expected to seriously prejudice the outcome of the litigation. The Company refutes these allegations and is defending the proceedings.

13. Cash flow statements

	31 July 2012 $000	31 July 2011 $000
Reconciliation of net profit after income tax expense to net cash flows from operating activities		
Net profit after income tax expense	26,107	26,655
Depreciation expense	2,545	2,423
Amortisation expense	217	214
Reversal of loan receivable provision	(346)	(609)
Share-based payments expense/(benefit)	1,361	(1,447)
Write back of derivative reserve	(466)	(466)
Profit on sale of property, plant and equipment	(9)	(38)
Changes in assets and liabilities:		
Increase in inventories	(9,864)	(49,319)
Increase/(decrease) in net current and deferred taxes payable	(6,087)	9,356
Decrease in trade, other debtors and prepayments	9,619	60,581
Increase/(decrease) in trade, other creditors, employee entitlements and other provisions	30,560	58,588
Net cash flows from operating activities	53,637	105,938

14. Events subsequent to balance date

Subsequent to 31 July 2012 the following events and transactions have occurred:

1. Dividends

   Since the end of the half year, the Board of Directors has resolved to pay a fully franked interim dividend of 2.0 cents per share to be paid on 26 October 2012 to shareholders on the register at the ex dividend date of 21 September 2012. The total amount payable for these dividends $23,726,000.

2. On Market Share Buy-back

   Since the end of the half year, the Board of Directors has resolved to implement an on market share buy-back of up to 10% of issued capital.

Directors Declaration

Sigma Pharmaceuticals Limited

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

a) the financial statements and notes set out on pages 9 to 22 are in accordance with the *Corporations Act 2001* including:
   - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2012 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date, and

b) there are reasonable grounds to believe that Sigma Pharmaceuticals Limited will be able to pay its debts as and when they become due and payable.

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

Brian Jamieson
Chairman

Mark Hooper
Managing Director

Melbourne
12 September 2012

Deloitte.

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

We have reviewed the accompanying half-year financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 July 2012, and the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 23.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 July 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sigma Pharmaceuticals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sigma Pharmaceuticals Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 July 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 12 September 2012