Growing partnerships

2013–
2014

ANNUAL
REVIEW

SIGMA

Sigma – Australia's partner of choice for health, beauty and wellbeing.

OUR VALUES

- Partnerships
- Performance excellence
- Empowerment and accountability
- Agility
- Integrity and respect
- Unity

OUR BUSINESS

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

DISTRIBUTION CENTRES — 13

OUR TEAM MEMBERS — 1,000

SERVICING PHARMACIES WITHIN — 24 hrs

PHARMACY CUSTOMERS — 4,000

OUR SUPPLIERS — 430

PRODUCT LINES — 14,000

OUR PHARMACY-LED NETWORK — 570

PRODUCTS DELIVERED DAILY — 600,000

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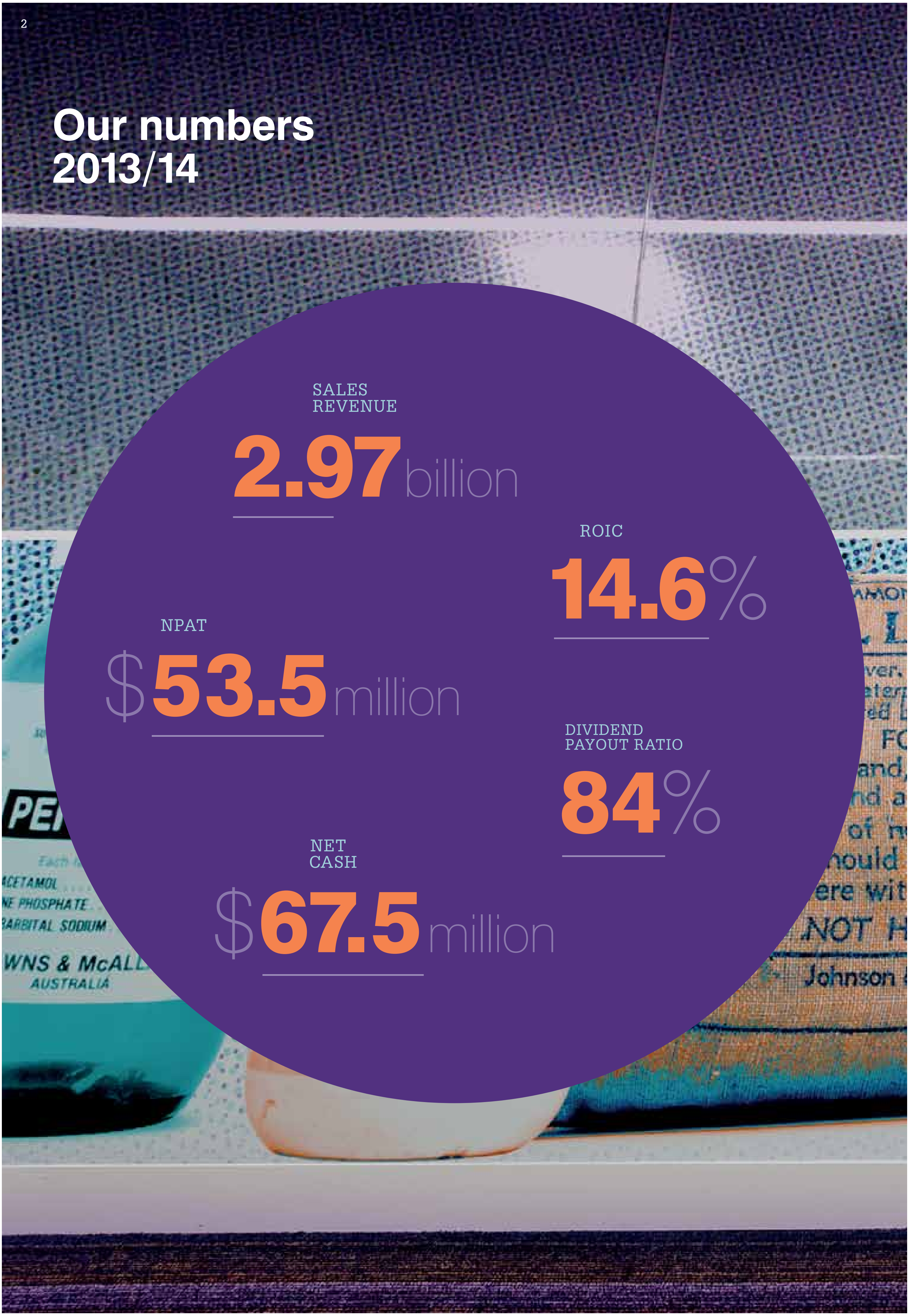
Our numbers 2013/14



SALES REVENUE

2.97 billion

ROIC

14.6%

NPAT

$**53.5** million

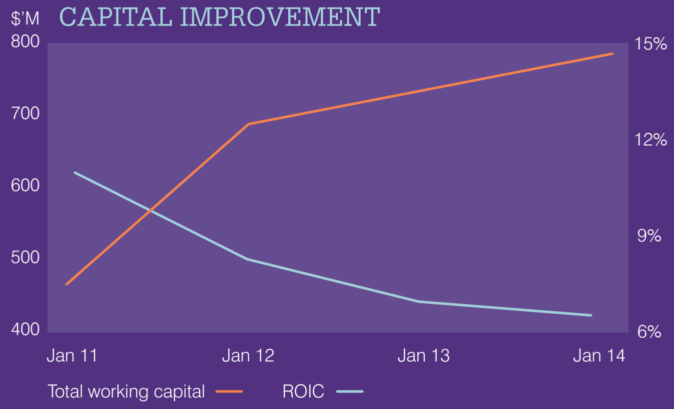
DIVIDEND PAYOUT RATIO

84%

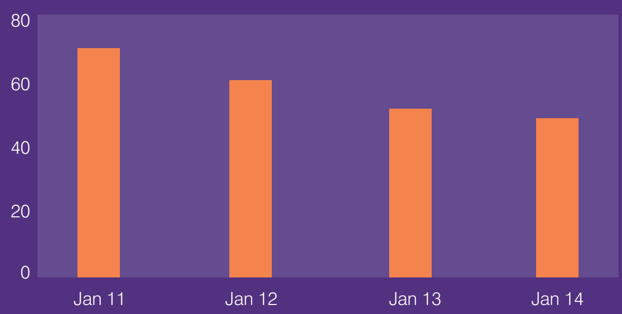
NET CASH

$**67.5** million

RECORD ROIC AND WORKING CAPITAL IMPROVEMENT



CASH CONVERSION CYCLE DAYS



TOTAL SHAREHOLDER RETURN

Chairman's report

We continue to implement a number of key strategic initiatives to mitigate the impact of these Federal Government reforms and to assist in providing a strong enduring base for both Sigma and our pharmacy partners.

I am pleased to present to you the 2013/14 annual report, a year that produced solid results off the back of continued reinvestment in our business and strong and developing business partnerships.

The past three years have involved navigating a path that resulted in significant changes to our business model, the introduction of a new and experienced management team, and considerable investment in the execution of a strategy to enhance our position for the future. We are now well advanced.

The past year has again not been without its challenges. The Federal Government reforms to the Pharmaceutical Benefits Scheme (PBS) aimed at containing the cost to the Federal budget has had a dampening effect on sales across the industry as a whole. It is important the Government now reinvest some of those savings in providing patient access to new and innovative treatments and services.

Meanwhile we continue to implement a number of key strategic initiatives to mitigate the impact of these Federal Government reforms and to assist in providing a strong enduring base for both Sigma and our partners.

In a difficult trading and PBS environment, Sigma achieved an increase in Total Revenue of 1.1% to $2.97 billion. Reported Net Profit After Tax (NPAT) for the year increased from $18.7 million last year to $53.5 million, with the net movement mostly reflecting one-off items from 2012/13 that were not repeated. Underlying NPAT was $51.1 million for the year.

The on-market share buy-back instigated in October 2012 has continued through the year, resulting in 42.7 million shares being bought back and cancelled. This reduced the number of shares on issue to 1.1 billion – a positive outcome for all shareholders. This has been an effective use of capital that we anticipate will continue in 2014/15.

The share buy-back program was scaled back during the year in anticipation of the successful completion of the acquisition of Central Healthcare Pty Ltd (Central Healthcare), announced on 26 March 2014. This acquisition provides Sigma with an opportunity to broaden our market penetration and an enhanced ability to service new customers, whilst also providing Central Healthcare with access to capital to continue its impressive growth profile. Central Healthcare will operate independently of Sigma, with the current business expected to initially contribute around $3.5 million EBITDA on a full year basis, and is immediately earnings accretive.

The Board has again maintained a high dividend payout ratio to reward our shareholders, with 84% of NPAT being paid as a dividend. The 2.0 cents per share final dividend brings the total dividend paid for the year to 4.0 cents per share, consistent with the previous year. Looking forward, our lower franking credits balance will impact our ability to pay a franked interim dividend this financial year. Recognising Sigma's strong balance sheet, the Board will consider capital management options, including making the cash that would have been payable as an interim dividend available to continue the share buy-back program.

In closing, I would like to thank our many pharmacy customers and consumers. Your ongoing support enables Sigma to continue to invest in improving our business model for sustained mutual success. I also thank our dedicated employees who collectively strive to achieve our vision of being the Partner of Choice for Health, Beauty and Wellbeing, and the members of the Board for their ongoing support and stewardship.

Lastly I thank our shareholders for your continued support as we continue to seek opportunities to drive improving returns.

Mr Brian Jamieson, Chairman

CEO and Managing Director's report

The 2013/14 financial year has seen significant focus on further developing business partnerships and driving substantial business changes that will provide a more flexible business model to address ongoing industry challenges.

Our achievements during the year have been many, including launching our Professional Services offer to our pharmacy network, delivering our online pharmacy offering and continuing to develop and evolve our private label and exclusive pharmacy products. These are just some initiatives targeting reduced future reliance on PBS revenue. We are committed to our strategy and expect the real success of this investment program will be delivered in the coming years. Many of these are discussed in more detail in the following pages.

Meanwhile, the negotiation of the upcoming sixth Community Pharmacy Agreement (6th CPA) which is due for renewal in June 2015 will be critical in securing the future of the community pharmacy, and the ability of full line wholesalers to meet the Community Service Obligations (CSO). Sigma and the Wholesaler industry body (National Pharmaceutical Services Association – NPSA) will be actively engaged in this process.

For the financial year just past, Sales Revenue was up 1.1% to $2.97 billion, a solid achievement in light of an operating environment where PBS sales across the industry were down as a result of significant ongoing Federal Government PBS reform.

Perhaps more pleasing is that in this challenging operating environment, our gross profit margin improved from 7.1% to 7.3%, notwithstanding increased costs associated with higher volumes delivered and the EBA related increases. Underlying EBIT of $71.2 million was slightly ahead of last year.

There are continually improving signs that the business is in better financial condition as a result of our business initiatives:

- Underlying Return On Invested Capital (ROIC) has continued to improve, reaching 14.6% for the year, a record high for Sigma;
- Working capital has been further significantly reduced over the 12 months, resulting in the business achieving a record low of 50 days cash conversion cycle;
- Cash at bank at year end remains at a healthy $67.5 million, with Sigma having zero debt at financial year end.

This strong cash position allows us to explore synergistic opportunities such as the recent Central Healthcare announcement. Importantly, we will continue to reinvest in the business operations to drive opportunities to increase sales and improve operating efficiencies. This will likely include the investment in new and more efficient distribution centres in Brisbane and Sydney over the next three years. This continues our program of business reinvestment, and re-affirms our commitment to the pharmacy channel.

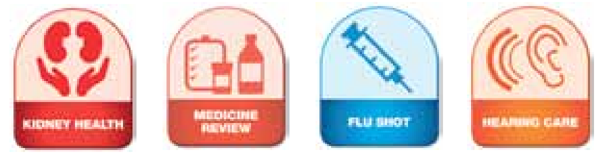
The business is now clearly focussed on executing our strategy of being Australia's Partner of Choice for Health, Beauty and Wellbeing. We believe we have the platform in place and look forward to providing further updates in the future.

Reconciliation of Underlying NPAT

	2014 ($m)
Reported NPAT as per Statutory Accounts	53.5
Adjustments:	
Litigation Settlement	2.6
Acquisition expenses	0.7
Harrisons provision	5.2
Profit on sale of Clayton	(10.9)
Underlying NPAT	51.1

Mr Mark Hooper, CEO and Managing Director

Our progress



Our strategy of reinvesting in the business to make Sigma "Australia's Partner of Choice for Health, Beauty and Wellbeing" is now delivering, and includes the following initiatives that have been implemented over the past year.

Leading Professional Services in Pharmacy

Sigma sees pharmacy as the integral third pillar of the healthcare system alongside General Practitioners and Hospitals. Pharmacists are some of the most accessible health professionals, and can assist General Practitioners to manage the health of all Australians, including medication management and targeted health promotion.

Sigma is taking a leading position in actively introducing a number of professional service initiatives into the Amcal, Amcal Max, and Guardian pharmacy networks, including heart health, a world first kidney health program, diabetes management, respiratory complaints, and medication management. Other similar initiatives are planned throughout 2014 and beyond to help improve the health of Amcal, Amcal Max and Guardian pharmacy customers.

Launched during 2013 and further rolled out during 2014, the Hearing Check campaign, run in collaboration with Australian Hearing, is highlighting potential hearing issues for many Australians who wouldn't necessarily have otherwise been able to access services. Within the first three weeks of the 2014 campaign, over 56% of the 1,674 consumers tested were identified with potential hearing issues requiring further investigation.

Amcal and Guardian pharmacies offer a very broad range of professional services at a local level. To raise awareness of the services offered at pharmacy, Sigma created a suite of service icons (examples pictured above) which are being used across all marketing channels to identify Amcal, Amcal Max and Guardian pharmacies as a key healthcare destination.

Extending Private and Exclusive Label

During 2013/14, Sigma has continued to grow and evolve its suite of products under the Private & Exclusive Label strategy. This investment strategy has seen:

Amcal and Guardian Private Label

Sigma has sourced over 100 products in the last financial year, with another 200 to enter the market in the year ahead. These products offer our pharmacy membership new sales opportunities to drive profit margin growth ahead of current market trend. This has been supported by the implementation of a software system for the development and management of the portfolio of products to optimise performance.

Sigma has sourced over 100 products in the last financial year, with another 200 to enter the market in the year ahead.

Multi-Channel –
Later this year we will be rolling out "click-and-collect" delivery options to our pharmacy network nationally.

Boots Laboratories Serum7 and Optiva Skincare

Sigma in partnership with Alliance Boots has launched a pilot program for the exclusive distribution of a range of skin care products including Boots Laboratories Serum7 and Optiva Skin. The product ranges are clinically proven, made by pharmacists for pharmacy customers and are being supported by a multi-faceted marketing campaign which included the Amcal Rewards and Guardian Club programs where over one million members were contacted. Within eight weeks of launch, Boots Laboratories products were ranked the number one brand in skincare with over 15% share of the total skincare category, and Serum7 and Serum & Lift ranges having greater category share than all other leading skincare brands in the category.

colour THEORY

Partnering with global experts and directly sourced from a number of international locations, Sigma has successfully penetrated the pharmacy cosmetics channel with the launch of colour THEORY, exclusive to Amcal, Amcal Max and Guardian pharmacies. colour THEORY is an exclusive brand offer and is Sigma's own affordable and accessible cosmetics range. The range is based on international trends of high fashion and classic colours, and very quickly became the number one budget cosmetics range in the Amcal, Amcal Max and Guardian Pharmacy store network. Activity continues to support colour THEORY, including the launch of the NEW 'Orchid Glamour' Autumn Winter Collection in 2014.

Delivering a leading Multi-Channel Offer

With digital channels evolving and playing a more important role in the way we connect with customers, Sigma launched Amcal, Amcal Max and Guardian eCommerce websites in July 2013.

Market research indicated that over 90% of visitors to an on-line store will purchase at a retail shop. Our customised store locator seeks to integrate and promote our pharmacists, build brand loyalty, and increase foot traffic to member pharmacies.

The sites also provide flexibility to suppliers to promote and bring to life their products not just on price but on the product attributes, and aligns with consumer trends towards making informed choices.

The sites are flexible and readily scalable, using an eCommerce platform used by more of the leading online retailers worldwide. Our new order management system delivers a superior customer experience and enables us to present real-time product availability. Customers have the ability to check on the progress of their orders, set reoccurring orders and choose to have their order split and delivered to more than one person at one time, helpful for carers looking after the health needs of multiple people.

Our experienced Multi-Channel team are now delivering the full suite of digital services to support members to connect meaningfully with their local communities with a dedicated and individualised store page to:

- Attract new customers in-store
- Promote the pharmacy and customer engagement activities
- Build awareness in the marketplace about professional service offerings
- Showcase staff and expertise

Later this year we will be rolling out "click-and-collect" delivery options to our pharmacy network nationally. Overseas experience has indicated this has the potential to reach up to 50% of sales through pharmacy. We will also be continuing to extend the range, and soon scheduled products and scripts will be available for click-and-collect.

We have seen strong growth in visitation, conversion and sales and will continue to roll out further initiatives in the coming year to enhance the customer experience and continue to grow sales.

Improving Operational capabilities

As a full-line pharmaceutical wholesaler, Sigma plays a pivotal role in the Australian healthcare landscape, helping to ensure affordable, reliable and timely access to medicines Australia wide. As owner of the Amcal, Amcal Max and Guardian brands, Sigma is Australia's largest pharmacy-led network. Sigma is committed to continuing to invest in opportunities to drive improvements in operational capabilities and efficiencies and improve the customer value proposition.

Optimising Retail Floor Space

Sigma has invested in the latest Space Management database software from JDA, which is leading technology used by major retail chains around the world.

This software will provide Amcal, Amcal Max and Guardian stores with an online solution that informs members of the most profitable way to lay out their stores from floor plan to product on shelf, resulting in efficiencies through increased stock turns, defined ranges and reduced write-offs.

Promotional activity and range optimisation will help ensure we provide the customer with the right product, in the right place at the right time, effectively driving increased sales and profit for Sigma and our pharmacy customers.

Supply chain automation

Our investment in supply chain improvements led to the introduction of the JDA supply chain software, one of the world's leading end-to-end supply-chain systems. Through the JDA software tools, Sigma now has a significantly enhanced ability to interrogate market demand signals to streamline the supply chain and better partner with suppliers and pharmacy customers.

In addition, upgrades to the automation processes at the Rowville distribution centre have been implemented, and work is underway in identifying automation options for our Brisbane and Sydney distribution centres, which is expected to occur over the next three years.

Our community

Celebrating its 15th year in 2013, The Guardian Angel Knitting Program, encourages participants to knit warm garments for children in need.

Sigma is in a privileged position to not only support certain charitable organisations, but to also partner with our broad network of retail pharmacies to facilitate improved public awareness and fund raising capacity for a number of causes.

This has included supporting The Summer Foundation, which aims to build better lives for young people in nursing homes.

Sigma also donated previously used computers to a school in a small village of Sigatoka in Fiji. In partnership with Jack Anderson at Coorinda Day and Night Pharmacy in Queensland, the donation has resulted in the establishment of the school's first computer room, assisting in the education of these under privileged children.

Through ticket sales and auction activities at the Sigma Supplier Gala dinner held during the year, attendees, including Sigma Ambassadors Georgie Parker (Amcal) and Dr Cindy Pan (Guardian), raised $30,000 for Save The Children, supporting the work they do in providing education and child protection programs.

Amcal & Amcal Max

Cancer Council – Pink Ribbon Day

Amcal has been proudly supporting the Cancer Council for the past 11 years. In recent years, Pink Ribbon Day Merchandise has been sold at Amcal and Amcal Max Pharmacies during Breast Cancer Awareness Month. The funds raised through the sales of the merchandise have contributed to the Cancer Council's ongoing breast cancer research and support services. In 2013, over $35,000 was raised in total across the network.

Cancer Council – Biggest Morning Tea

Over the past four years the Customer Service Team has hosted a 'Biggest Morning Tea' at Sigma Head Office in Rowville to raise money for the Cancer Council. Through the sale of raffle tickets and cupcakes and Sigma matching every dollar donated, more than $3,500 was donated to this worthy cause.

Juvenile Diabetes Research Foundation

The Juvenile Diabetes Research Foundation (JDRF) is the world's largest charitable supporter of type 1 diabetes research, having invested more than $150 million in Australian research to date. Australia continues to have one of the highest rates of type 1 diabetes in the world and Amcal's ongoing support of Jelly Baby Month raises the much-needed funds for research into finding a cure for this growing disease. During Jelly Baby Month in May, jelly baby themed merchandise is sold throughout our Amcal & Amcal Max network, helping raise over $30,000 for JDRF.

Guardian Pharmacy

Guardian Angel Knitting Program

Celebrating its 15th year in 2013, The Guardian Angel Knitting Program, encourages participants to knit warm garments for children in need. Through Guardian Pharmacy's national network of over 140 pharmacies, an annual knitting pattern book is distributed and each location acts as a collection point for finished garments. Since launching the program, knitters – the Guardian Angels – have generously knitted and donated more than 2 million garments, demonstrating fantastic community spirit generated through the program. Some of those knitters have been with the program since its inception.

In 2013 the program partnered with Save the Children Australia who, through their amazing programs, distributed approximately 125,000 knitted garments to children both locally and abroad. Spotlight also continued their support of the program by assisting with the creation of patterns in the knitting book and yarn discounts to knitters.

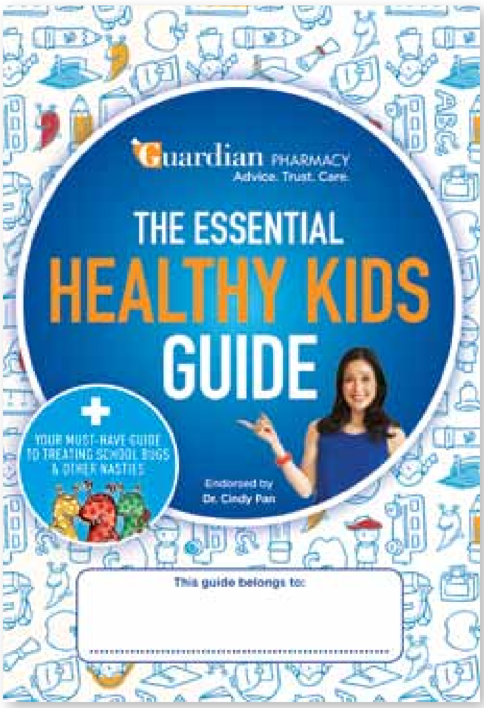
Our recognition and awards

To help celebrate the 15th year of the program the 'Stitch'n'Sip' event was held on the 15th July in Melbourne. The event encouraged novice knitters, with the assistance of Guardian Angels, to stitch a beanie, scarf or jumper to donate to the program. Save the Children ambassador Rebecca Judd hosted the event, together with 80 keen knitters.

Essential Healthy Kids Guide 2014

Guardian Pharmacy has continued its commitment to community health with the release of the annual Essential Healthy Kids Guide to coincide with the return of the new school year.

Available through Guardian Pharmacies nationally, the free guide is designed for parents, grandparents and carers of primary school children aged 4–12. Endorsed by Guardian brand ambassador Dr Cindy Pan, the Essential Healthy Kids Guide provides details on how to diagnose, monitor and treat a range of children's health concerns.



Guardian Pharmacy

In May 2013 Guardian was awarded the Canstar Blue Most Satisfied Customer Award for Pharmacy in 2013, the second year running Guardian has achieved this honour. This prestigious award is voted using a Consumer Panel of more than 2,500 consumers on an annual basis and recognises superior achievement in customer satisfaction. Guardian achieved five star ratings across a high number of satisfaction drivers highlighting the depth of relationship that exists between the community pharmacist and customer.

Guardian also achieved the honour of back to back wins in the Roy Morgan Research Customer Satisfaction Award for Pharmacy in 2012 and 2013, announced in February 2013 and 2014 respectively. These awards are based on a survey of 50,000 Australians annually – the world's largest ongoing single source survey. The Roy Morgan Customer Satisfaction Award is a much respected industry award, and again is public recognition of achievement in customer satisfaction.

Both awards are great examples of Sigma's commitment to put the customer at the centre of everything we do.

Our conferences

Retail Conference

Sigma's 2013 Annual Amcal and Guardian Retail Conference was officially opened on the Gold Coast, by Chairman Brian Jamieson, with the newly appointed Executive Director of the Pharmacy Guild of Australia, David Quilty, delivering the keynote speech.

With the theme of the conference "Building a Collaborative Future", Sigma's pharmacy members from across Australia were provided information on how the Company has delivered on its strategy, including the detail behind its investment of over $15 million in people, infrastructure and systems.

Attendance was up by 20% this year, with attendees again enjoying a mix of professional and industry speakers, retail workshops and supplier exhibits.

The event concluded with Sigma honouring its top Amcal, Amcal Max and Guardian brand members at a Gala Awards night at Movie World on the Gold Coast. Guardian Pharmacy Ambassador Dr Cindy Pan and Amcal Ambassador Georgie Parker attended to personally congratulate award winners, including:

- National Pharmacist of the Year
  Callie Fleay, Amcal Max Tuart Hill (WA)
- National Amcal Pharmacy of the Year
  Deloraine Amcal (TAS)
- National Amcal Max Pharmacy of the Year
  Amcal Max Gympie (QLD)
- National Guardian Pharmacy of the Year
  Gayndah Guardian Pharmacy (QLD)

Annual Pharmacy Assistant Conference (PAAC)

Sigma's 2013 Annual Pharmacy Assistant Conference (PAAC) held in each state over a weekend for the Amcal, Amcal Max and Guardian Pharmacy Assistants and Retail Store Managers, was again a great success.

The 2013 PAAC theme was "Passion. Experience. Excellence" and focused on encouraging delegates to enhance the passion that already exists within teams and drive it further, share their experience and develop brand standards that deliver excellence.

This is still the largest event for Pharmacy Retail Assistants in Australia with over 660 Pharmacy Assistants and Store Managers attending this year's conference. A variety of awards were presented during the conference, including Pharmacy Assistant of the Year, Pharmacy of the Year, and Retail Manager of the Year, across all three banners.

PAAC 2013 included 26 partner sponsors providing extensive product knowledge, and other sessions designed to motivate, educate and inspire. The conference provides a unique opportunity for suppliers to engage with customer facing pharmacy staff, and provide training on customer service, marketing programs, and product launches.

Supplier Gala Dinner

Reckitt Benckiser (RB) was named Sigma's Supplier of the Year for 2013, at the second annual Supplier Gala Dinner and Awards held in October 2013. The award was recognition of the strong relationship that has been built between RB and Sigma over the past few years.

The Great Gatsby themed evening was attended by over 260 suppliers along with Sigma Ambassadors Georgie Parker (Amcal) and Dr Cindy Pan (Guardian).

Ticket and auction sales from the event raised $30,000 for Save the Children and guests were treated to a live performance by the cast of the musical 'King Kong'.

Our people

Sigma operates across 13 sites nationally and employs over 1,000 team members who are critical to our strategy in enhancing our industry partnerships for mutual success.

Our people and cultural strategies are designed to attract, recruit and retain the industry's most talented people to achieve high performance for our customers, suppliers and other stakeholders.

An overview of some of our key people related programs are detailed in this section.

Service Awards

We are proud to report that our average length of service is over 7 years. This measure is positive reinforcement of a workplace environment that makes Sigma an employer of choice in the industry. Our longest serving team member is our PBS Ethical Buyer, Mike Foley, who has been with the business for a remarkable 42 years.

Sigma's Years of Service program recognises and rewards team members for every 5 years of service to the business. During 2013, 129 team members received awards under this program, with the following team members celebrating 40 years of service to Sigma:

- Glenda McMillin
  Customer Service Operator at our Rowville Call Centre
- Robert Gourlay
  Storeperson at our Hobart Distribution Centre
- Roger Theodore
  Storeperson at our Rowville Distribution Centre

Climate Survey

Each year Sigma provides all team members with the opportunity to provide feedback on their level of satisfaction at work via the Climate Survey. The Climate Survey aims to identify areas of organisational strength as well as areas requiring further enhancement. The overall satisfaction rating from participants in 2013 was up on the previous year, and is in the top quartile. On other key areas measured, between 85% and 95% of respondants indicated they:

- have a good relationship with the people they work with;
- respect their manager;
- believe Sigma provides a safe working environment;
- are motivated or highly motivated at work;
- feel they make a difference at Sigma

The key areas identified as providing opportunity for improvement include internal communications and collaboration across teams. A number of key initiatives have been developed to address these areas.

Our people continued

Learning and Development

Sigma views its team members as valuable assets that play a pivotal role in the performance of the business. As such, each year Sigma invests a substantial amount of time and money in developing its team members.

During the 2013 calendar year Sigma invested significantly in the development of its leaders by implementing Franklin Covey's Great Leaders, Great Teams, Great Results program. All senior people managers participated in the program which has provided a common leadership framework across the business.

In addition to this program, Sigma offers learning and development programs across all levels of the business including Executive development programs, negotiation and influencing skills for sales positions, presentation skills for managers, computer skills training and manual handling training for all team members.

Reward and Recognition

Shine at Sigma aims to reward and recognise extraordinary individual and team performances that demonstrate commitment to our values:

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

Colleagues nominate other team members or teams and awards are presented on a quarterly basis, culminating in a National Winner. In 2013, 66 nominations were received for Shine awards, resulting in 29 quarterly winners.

Health and Safety

Sigma remains committed to providing, promoting and maintaining safe and healthy workplaces, equipment and systems. A focus on the health and well-being of team members is at the forefront of everything we do.

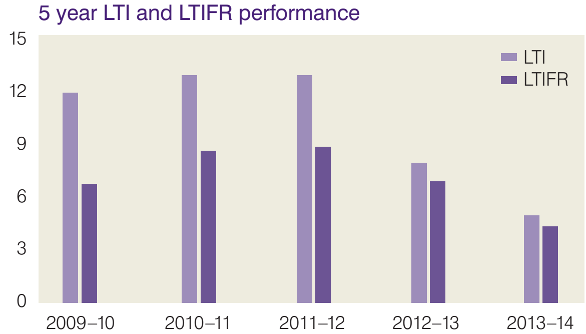
Our guiding safety principles remain:

- Prevent harm, eliminate hazards and reduce risk;
- Increase compliance, knowledge and awareness; and
- Promote and maintain a continuously improving safety culture

Sigma continues to encourage a safety-first culture at each site. This is evident in our health and safety results for the year which reflect our growing safety culture and our team's commitment to safe work practice when completing their daily activities. The year ended with a 37.5% reduction in Lost Time Injuries (LTIs) and a 37% reduction in Lost Time Injury Frequency Rating (LTIFR). This represents our best safety result for the past 5 years.

In addition, throughout 2013 Sigma's commitment to injury management and engagement with our people was highlighted when a member of our team was awarded the Victorian Worksafe 'Return to Work Award.' Given there were 323 entries for this award, it was an outstanding result to be chosen as the winner.

5 year LTI and LTIFR performance



Congratulations National Shine Award Winner 2013, Frank Lapthorne

Frank began his career with Sigma in late 2010 as Retail Fit-Out Manager in the Property and Store Design team. Along with his peers, Frank is responsible for new site developments, fit outs and refurbishments within the Sigma retail store group, with particular focus on Amcal and Guardian pharmacies.

Frank was nominated for his role in developing a distribution centre dedicated to supporting Sigma's new multi-channel platform. Frank volunteered to take on a leadership role with this project which he completed in addition to his usual tasks, engaging with stakeholders to deliver solutions beyond expectations.

"I jumped at the chance to work on the design and construct project for the Multi-Channel team as it gave me the chance to work on a project outside my department. Working with the Multi-Channel team was a real pleasure and together we achieved a great result. The Shine Award came out of left field and I was very honoured to receive it".

Victorian Worksafe Award 2013 Worksafe Worker Return to Work Achievement, Wendy Bailey – Sigma Pharmaceuticals

Sigma's Credits Team Leader, Wendy Bailey fell and broke her tibia and fibula in her right leg. Wendy's attitude through this ordeal was exemplary – she accepted the seriousness of her injury and rather than blaming others, was very positive about her recovery and returned to work within three and a half months of the incident.

Throughout her rehabilitation Wendy set herself small physical goals every day, achieving her major goal of wearing heels to her son's wedding!

Worksafe celebrated Wendy's amazing effort to maintain a positive attitude after such a traumatic injury. Wendy was held up as being an inspiration and a fine example of how to overcome not only a work related injury but any injury or adversity.

"After being housebound for three months, I couldn't wait to get back to work. Getting back to work felt like I was getting my life back and played a big part in my recovery. I returned to work three and a half months after my injury occurred, performing modified duties. The amount of support I received really helped in my return to work. Sigma offered me access to counselling which I took up and that helped me immensely. I would visit work in my wheelchair and my work friends visited me all the time – all of which contributed to my motivation to get back to work as soon as possible."

Senior management

Mr Jeff Sells

CHIEF FINANCIAL OFFICER

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

Mr Gary Dunne

CHIEF OPERATING OFFICER

Mr Dunne commenced with Sigma in July 2011. Prior to Sigma, he was involved in restructuring roles including Managing Director and Acting CEO for 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 2011. 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 and information analytics.

Mr Jeff Sells

Mr Gary Dunne

Ms Sue Morgan

Mrs Jackie Pearson

Mr Richard Harris

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, as well as both Generic and OTC portfolios at State level before moving into the National Sales Manager role six years ago. Prior to joining Sigma, Mr Gualtieri held the roles of Sales Manager and Administration Manager at Myer.

Mr Alan O'Hara

GENERAL MANAGER SUPPLY CHAIN AND TRANSFORMATION

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

Mr Richard Church

GENERAL MANAGER LOGISTICS

Mr Church commenced as the General Manager Logistics in November 2012 and is responsible for the service and supply of Sigma products to customers. Prior to joining Sigma, Mr Church held a variety of senior logistics, transformation and supply chain roles at Coles Supermarkets over a period of seven years. Previously Mr Church was with Sainsbury in the UK for over 18 years in retail operational and senior logistics roles.

Ms Claire Latham

GENERAL MANAGER MULTI CHANNEL

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


Mr Scott Jones


Mr Vincent Gualtieri


Mr Alan O'Hara


Mr Richard Church


Ms Claire Latham

Board of Directors

Mr Brian Jamieson (Chairman)

FCA, MAICD, NON-EXECUTIVE CHAIRMAN AND DIRECTOR

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

Mr Mark Hooper (CEO & Managing Director)

BBUS (ACC), CPA, FFTP, MAICD EXECUTIVE DIRECTOR

Appointed 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. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 Mark was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mr Hooper was Chief Financial Officer of Sigma from 2001–2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.

Mr David Bayes

FAICD
NON-EXECUTIVE DIRECTOR

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

Ms Linda Nicholls AO

BA (ECON), MBA, FAICD
NON-EXECUTIVE DIRECTOR

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 Non-Executive Director of Pacific Brands Group and a Director of Low Carbon Australia Limited and Fairfax Media Limited. She is also a Director of 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, Insurance Manufacturers of Australia and of the Harvard Business School Alumni Board. 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.

Mr David G 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 North Metro Medicare Local Ltd. He is the current Western Australian representative on the Amcal Members Advisory Committee (MAC). He is a current Branch Committee Member of The Pharmacy Guild of Australia (WA Branch). Mr Manuel has not held a directorship of any other listed entity during the last three years.

Mr Raymond M Gunston

B.COMM (HONS), DIPED, CPA, FTA, AICD
NON-EXECUTIVE DIRECTOR

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

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).

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 responsibility for the management and operation of the Sigma Group. The CEO 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 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 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, 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 and a Sigma customer) 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

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 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.

Corporate governance statement continued

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 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 either the Chairman of the Committee or 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, 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, polices and practices applicable to Non-Executive Directors, the CEO, 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

Executive performance and remuneration

Sigma's Remuneration Policy was 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 on an annual basis. Evaluation of the CEO'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 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

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

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 are reviewed annually in order to ensure they remain relevant and to assess the Company's progress towards achieving them.

Corporate governance statement continued

During the financial year the Company has made the following progress towards achieving the measurable objectives:

MEASURABLE OBJECTIVES	PROGRESS
Aim to increase the proportion of women on the Board as vacancies and circumstances permit	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.
Aim to increase the proportion of women in executive and senior management positions as vacancies and circumstances permit	A total of 15 executive and senior management vacancies were filled during the financial year with women filling 8 of these vacancies. The number of women in senior executive positions has increased from 43% last year to 46% this year. 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.
Target equal gender participation in key Talent Management programs	48% of employees who participated in programs sponsored by the Talent Management team were female. Participation in these programs is open to employees of both genders and selection 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:

DISCLOSURE REQUIREMENT	DISCLOSURE
Proportion of women employees in the whole organisation	As at 31 January 2013 58% of the Company's employees were women
Proportion of women in senior executive positions	As at 31 January 2013 46% of senior executive positions within the Company were held by women
Proportion of women on the Board of the Company	As at 31 January 2013 20% of the Company's Non-executive Directors were women.

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

Trading in Company securities

The Sigma Share 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 or the Company Secretary.

Regular reminders of Sigma's Securities Trading Policy are issued to senior management. Further details of Sigma's Share 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

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 January 2014

	2014 $'000	2013 $'000
Sales revenue	2,973,466	2,942,391
Cost of goods sold	(2,756,581)	(2,733,982)
Gross profit	216,885	208,409
Other revenue and income	51,689	38,835
Warehousing and delivery expenses	(102,267)	(101,922)
Sales and marketing expenses	(48,197)	(33,476)
Administration expenses	(37,176)	(33,804)
Net litigation settlement expense	(3,677)	(48,004)
Acquisition expenses	(662)	–
Depreciation and amortisation	(6,280)	(5,665)
Plant rationalisation and restructuring	–	(1,276)
Profit before financing costs	70,315	23,097
Financial income	2,449	4,170
Financial expenses	(4,431)	(2,339)
Net financing (expense)/income	(1,982)	1,831
Profit before income tax	68,333	24,928
Income tax expense	(14,797)	(6,242)
Profit for the year	53,536	18,686
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of cash flow hedges	(933)	(933)
Exchange differences on translation of foreign operations	342	85
Income tax relating to components of other comprehensive income	177	254
Other comprehensive loss for the year, net of tax	(414)	(594)
Total comprehensive income for the year	53,122	18,092

Earnings per share (EPS) for profit attributable to the ordinary equity holders of the company:	Cents	Cents
Basic EPS	4.9	1.6
Diluted EPS	4.8	1.6

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

Consolidated statement of financial position

As at 31 January 2014

	2014 $'000	2013 $'000
Current assets		
Cash and cash equivalents	67,468	112,692
Trade and other receivables	557,401	566,219
Income tax receivable	5,133	13,746
Inventories	222,392	255,010
Derivatives	18	–
Prepayments	3,586	3,721
Total current assets	855,998	951,388
Non-current assets		
Trade and other receivables	6,605	9,903
Property, plant and equipment	52,887	73,556
Intangible assets	22,553	14,237
Net deferred tax assets	7,126	7,087
Total non-current assets	89,171	104,783
Total assets	945,169	1,056,171
Current liabilities		
Trade and other payables	353,064	403,580
Borrowings	–	30,000
Provisions	11,042	9,415
Deferred income	252	141
Total current liabilities	364,358	443,136
Non-current liabilities		
Provisions	1,794	2,007
Deferred income	188	222
Total non-current liabilities	1,982	2,229
Total liabilities	366,340	445,365
Net assets	578,829	610,806
Equity		
Contributed equity	1,294,414	1,337,226
Reserves	17,537	14,511
Accumulated losses	(732,911)	(740,931)
Total equity	578,829	610,806

Five year summary

	2010[1] ($m)	2011[1] ($m)	2012 ($m)	2013 ($m)	2014 ($m)
Operating results					
Sales revenue	3,220.4	3,339.6	2,853.9	2,942.4	2,973.5
EBITDA / (LBITDA)	(276.4)	(111.3)	74.7	28.8	76.6
EBIT / (LBIT)	(322.2)	(159.0)	69.2	23.1	70.3
Profit / (Loss) before tax	(394.3)	(237.7)	70.8	24.9	68.3
Profit / (Loss) after tax	(398.3)	(235.4)	49.2	18.7	53.5
Financial position					
Working capital	216.5	615.2	495.1	436.1	416.8
Fixed assets (incl intangibles)	1,113.6	67.6	83.2	87.8	75.4
Other assets & liabilities	(61.8)	(52.0)	(9.4)	4.2	19.1
Capital employed	1,268.3	630.8	568.9	528.1	511.3
Net debt / (Net Cash)	210.6	(202.1)	(113.6)	(82.7)	(67.5)
Net assets	1,057.7	832.9	682.5	610.8	578.8
Shareholder related					
Dividend					
- ordinary per share	3.0c	–	3.5c	4.0c	4.0c
- special per share	–	15.0c	1.5c	-	-
- total dividends ($m)	35.0	176.8	58.9	47.0	44.9
Earnings / (Loss) per share	(41.7c)	(20.2c)	4.2c	1.6c	4.9c
Dividend payout ratio	N/A	N/A	120%	251%	84%
Net tangible asset backing per share	14c	69c	57c	51c	50c
Market capitalisation (year-end) ($m)	1,102	524	707	773	672
Ratios & Returns					
EBIT margin[2]	-10.0%	-4.8%	2.4%	0.8%	2.4%
Gearing[3]	16.6%	N/A	N/A	N/A	N/A
Interest cover[4,5]	(3.8x)	(1.4x)	N/A	N/A	38.7x

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

2 EBIT/Sales Revenue.

3 Net Debt/Capital Employed (year end). Except for 31 January 2010 the Group had cash and cash equivalents over and above total debt.

4 Reported EBITDA/Net Financing Costs (times).

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

Contacts

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

Corporate head office
3 Myer Place
Rowville Vic 3178 Australia
Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188

Directors and senior management
Refer to website:
www.sigmaco.com.au

Company secretary
Sue Morgan
3 Myer Place
Rowville Vic 3178 Australia

Investor relations
Email investor.relations@signet.com.au

Auditors
Deloitte Touche Tohmatsu

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

Offices – healthcare
3 Myer Place
Rowville Vic 3178 Australia
Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188

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

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

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

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

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

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

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

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

26 Wheeler Street
Belmont WA 6104 Australia
Tel +61 (0)8 9478 9700
Fax +61 (0)8 9478 9788

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

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

Recent dividends

Dividend	*Date Paid*	*Cents per share*
2014 Interim	23 Oct 2013	2.00
2013 Final	19 Apr 2013	2.00
2013 Interim	16 Oct 2012	2.00
2013 Special	27 Apr 2012	1.50
2012 Final	27 Apr 2012	2.00
2012 Interim	30 Nov 2011	1.50
2012 Special	11 May 2011	15.0

Shareholder calendar*

Full-year results	27 March 2014
Ex-dividend	3 April 2014
Record date	9 April 2014
Final dividend payment	30 April 2014
Annual General Meeting	7 May 2014
Half-year results	11 September 2014

* Dates may be subject to change

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

www.sigmaco.com.au

Growing partnerships

2013–
2014

ANNUAL
REPORT

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Contents

Directors' report

The Directors' Report of Sigma Pharmaceuticals Limited (the "Company") and its controlled entities (the "Group") for the financial year ended 31 January 2014.

Directors

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

Mr B Jamieson
Mr M Hooper
Mr D Bayes
Mr R Gunston
Mr D Manuel
Ms L Nicholls, AO
Company Secretary: Ms S Morgan

Directors' interests in share capital, options and performance rights of the Company

Details of the directors' relevant interests in shares, options and performance rights of the Company at the date of this Report are as follows:

	Number of fully paid ordinary shares	Number of performance rights/options over fully paid ordinary shares
Mr B Jamieson	532,513	–
Mr M Hooper	4,496,864	16,619,198
Mr D Bayes	220,965	–
Mr R Gunston	111,460	–
Mr D Manuel	134,011	–
Ms L Nicholls, AO	530,459	–

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.

Total Board meetings held during the year includes 7 monthly scheduled meetings and 3 ad-hoc meetings.

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

	Board of Directors' Meetings (Monthly Scheduled)		Board of Directors' Meetings (Unscheduled)		Risk Management & Audit Committee Meetings		Remuneration & Nomination Committee Meetings	
Directors	No. held during the term	No. attended	No. held during the term	No. attended	No. held during the term	No. of meetings attended as a committee member	No. held during the term	No. of meetings attended as a committee member
Mr B Jamieson	7	7	3	3	–	–	–	–
Mr M Hooper	7	7	3	3	–	–	–	–
Mr D Bayes	7	7	3	3	6	6	5	5
Mr D Manuel	7	7	3	3	–	–	5	5
Mr R Gunston	7	7	3	3	6	6	5	5
Ms L Nicholls, AO	7	7	3	3	6	6	–	–

Operating and Financial Review

Operations

The Group is the largest full line pharmaceutical wholesale and distribution business in Australia, delivering daily to pharmacies Australia wide. The Group is also the owner of Australia's largest pharmacy-led network, with over 430 members representing the brands Amcal, Amcal Max, and Guardian. In addition, the Group manages and promotes a range of Over the Counter private and exclusive label products made available to brand member customers, as well as a generic range of private label products under the Pharmacy Care range.

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

Financial Performance

The consolidated profit attributable to shareholders was $53,536,000 compared to $18,686,000 for the prior year. The reported profit for both years was impacted by a number of significant one-off items. The underlying profit before financing costs and tax (or EBIT), and profit after income tax is reconciled as follows:

$'000	2014	2013
Reported EBIT	**70,315**	23,097
Add back		
Net Litigation settlement expense	3,677	48,004
Acquisition expenses	662	–
Harrisons provision for doubtful debts	7,434	
Profit on sale of Clayton Land and Building	(10,928)	–
Underlying EBIT	**71,160**	71,101

$'000	2014	2013
Reported NPAT	**53,536**	18,686
Add back		
Net Litigation settlement expense[1]	2,574	33,603
Acquisition expenses	662	-
Harrisons provision for doubtful debts[1]	5,204	-
Profit on sale of Clayton Land and Building	(10,928)	-
Underlying NPAT	**51,048**	52,289

1 Figures are post tax

The Group believes that the reconciliation of Reported to Underlying profit is useful as it removes the impact of significant revenue and expense items that are unrelated to the underlying performance of the business and thereby facilitates a more representative comparison of the ongoing financial performance of the Group's business between the financial periods.

Sales Revenue for the financial year increased 1.1% to $2,973,466,000, reflecting increasing volumes and market share gains achieved throughout the year. This was despite the impact of ongoing Pharmaceutical Benefits Scheme ("PBS") price disclosure reform in the last 12 months. It is estimated that without the impact of further PBS price reductions in the last 12 months Sales Revenue would have grown by 4.1%. To help offset the impact of reduced PBS prices for certain pharmaceutical products, the Group made further reductions to customer discounts during the year as well as achieved operational efficiencies. Volumes during the year grew by 3.3%, which was ahead of sales revenue growth reflecting the impact of PBS reform on prices.

The increased sales revenue and improved margin of 7.3%, (7.1% the prior year) resulted in a Gross profit of $216,885,000 million, an increase of 4.1% on the prior year.

Other revenue for the year increased to $51,689,000 from $38,835,000 in the prior year. The increase predominantly reflects the $10,928,000 net profit derived from the sale of the Clayton land and building during the year. In addition, other operational income increased over the prior year as a result of improved performance from merchandising and marketing activities on behalf of Group's retail brand members.

Efficiency gains achieved in the distribution centres resulted in Warehouse and delivery expenses remaining relatively flat for the year, up only 0.3% to $102,267,000. This is despite the impact of Enterprise Bargaining Agreement (EBA) wage increases and higher volumes delivered during the year. In addition, utility costs (primarily for electricity) also had an impact on increasing operating costs. The higher volumes distributed to pharmacies during the year were mostly offset by efficiency gains achieved primarily by focusing on labour productivity and planning. In addition, some savings were achieved by consolidating and retendering third party service providers such as freight. Whilst further efficiency gains will be made, investment in the Group's key distribution sites will be required in order to offset the impact of higher volumes and costs in the future. Significant planning work in this area is currently underway, with some increased capital expenditure likely to be undertaken in the coming 2–3 years.

Sales and Marketing expenses for the year increased by $14,721,000 to $48,197,000. The increase partly reflected the additional investment in merchandising and marketing capability to better support our customers, including the introduction of the multi-channel online platform, the launch of the colour THEORY private label beauty range, and the development of the Amcal pilot stores. These contributed to the improved performance in other operational income from merchandising and marketing activities discussed above. Included in the Sales and marketing expense line is $7,434,000 related to a provision for doubtful debt raised as a result of the collapse of the Harrison's pharmacy group during the year. This figure represents a $3,373,000 increase to this provision since the half year ended 31 July 2013.

Administration costs for the year were up by $3,372,000 to $37,176,000 for the year, with the bulk of the increase resulting from higher IT costs incurred in relation to hosting of new services that have been introduced to support other operational investments. In addition, the Group incurred higher legal fees in the current year compared to the prior year. Increases in the Administration costs have been partially offset by reduced headcount in both IT and other administrative areas.

Net litigation settlement expenses for the year were $3,677,000, down from $48,004,000 the prior year. The current year expense reflects the payment for the finalisation of the Vifor legal claims, which were announced to the market on 26 July 2013. The prior year settlement expense resulted from the conclusion of the shareholder class action.

Net interest expense reached $1,982,000 for the year compared to net interest income of $1,831,000 the prior year. The movement in net interest reflects the lower average net cash held throughout the current year as a result of the shareholder class action settlement payment made in December 2012, and the increased utilisation of cash through the on market share buyback program.

Income tax expense of $14,797,000 was up from $6,242,000 the prior year. The increase reflects tax payable on improved profitability for the year. The tax expense also reflects $4,477,000 of capital losses not previously recognised that were utilised to offset the gain on sale of the Clayton land and building, meaning that no tax expense was recorded on the profit from this sale.

Financial Position

The Group's net assets decreased by 5.2% to $578,829,000, largely reflecting an improvement in working capital employed to $416,833,000 from $436,079,000 last year. In addition the Company continued its high payout ratio during the financial year with Dividends declared of $44,931,000. The continuation of a 2.0 cent final dividend for the 2014 financial year represents a payout ratio of 84% of the Net Profit for the year.

During the 2014 financial year, the Company continued the on market share buy-back program with the purchase of 42,715,371 of shares worth $31,154,000 representing 3.7% of issued capital. Since the commencement of the on market share buyback program in October 2012, a total of 5.6% of issued capital has been bought back.

There was no debt drawn at the end of the financial year, with a total of $30,000,000 of debt repaid over the course of the 2013/14 year. The Company has maintained its existing Waratah Receivables Securitisation program with this facility being extended on improved terms for a further 2 years. Part of the enhancements to this facility include the ability to draw and repay funds on a daily cash advance basis, which allows for improved management of the intra month cash flow cycle to improve the net interest cost.

The funding of the repayment of outstanding debt, the high dividend payout ratio and the on market share buyback program, primarily came from an improved operating cash flow performance. The Cash Conversion Cycle, being the net of Day Sales Outstanding, Days Inventory on Hand and Days Payable Outstanding, improved from 53 days last year to 50 days this year. This has resulted from a continued focus on reducing average customer payment terms and maintaining an acceptable spread of Payables to Inventory days outstanding. A summary of the working capital performance and cash conversion cycle is as follows:

$'000	2014	2013
Trade Receivable	521,932	556,844
Inventories	222,392	255,010
Trade Creditors	(327,491)	(375,775)
Working Capital	**416,833**	436,079
Days Sales Outstanding	64	69
Days Inventory Outstanding	30	35
Days Payables Outstanding	44	51
Cash Conversion cycle days	**50**	53

The ongoing focus on working capital and capital management has resulted in the Group achieving a record underlying Return on Invested Capital ("ROIC") for the current year. Underlying ROIC was 14.6% compared to 13.5% for the prior year. Going forward, a continued focus on working capital will be maintained, with some further improvements possible, albeit at a slower rate of improvement to prior years.

Likely developments and expected results of operations

The Group's vision is to be Australia's Partner of Choice in Health, Beauty, and Wellbeing. The Group's strategy has been to invest in improving our core business in order to assist Pharmacy customers to cope with the ongoing impacts of Federal Government PBS price disclosure reform, and to be in a better position to grow the Group's future earnings for shareholders. To this end, the Group has reinvested into the business to drive increased capability in the following areas:

- Improved operational capabilities in areas such as the retail offer, improved supply chain and service delivery,
- A structured Professional Services model,
- Extending Private and exclusive label product offering, and
- Introducing a multi-channel platform.

Whilst the investment in operational capability for merchandising, marketing and multi-channel is considered to be largely complete, in the coming three years a capital expenditure program of upgrading key distribution centres to drive further operational efficiencies will occur. The first site in which this is currently being planned is our Brisbane distribution centre.

Whilst broad industry pressures from the Federal Government's ongoing PBS price disclosure reform will continue, the Group's strategy of targeted investment in the business and combined with maintaining continued emphasis on tightening terms and continued efficiency gains in warehouse and logistics costs will position the Group for growth in gross profit. Part of this strategy is to position the community pharmacy as the third pillar in provision of health services next to Hospitals and General Practitioners.

Material Risks

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

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

Regulatory reforms or legislative changes

The healthcare industry generally including pharmaceutical distribution is subject to significant regulation and the risk of legislative change. The reform introduced by the Federal Government to the PBS has had the impact of lowering the prices paid for generic medicines and thereby lowering the distribution margin earned by the Group. The Group has no control over these price adjustments and to date has offset the impact of lower distribution margin by reducing operating costs and customer discounts. These changes are likely to continue into the future and the Group is focussed on adjusting the business as outlined in the future development section of the Directors' report.

In addition, the Company is a signatory to the Community Service Obligation deed ("CSO") which governs the basis under which the Group distributes medicines around Australia, in return for access to a pool of funding that subsidises pharmaceuticals to rural and remote parts of Australia. Failure to meet the obligations under this deed or other State based legislation results in fines, or loss of license to distribute pharmaceuticals. The Group reports and reviews its compliance to regulations to ensure all obligations are met. The Group's operations are also subject to separate external audit by the CSO Agency.

Competitive landscape changes

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

Loss of material customer or customer default

As disclosed in Note 3 of the financial statements, one customer group currently represents greater than 30% of the Group's total sales revenue. The trading terms of this customer group are subject to a multi-year supply agreement, however the loss of this customer would have a material short term impact on the Group's business both in terms of loss of revenue and potentially require a restructuring of operations.

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

Events subsequent to the reporting date

On 26 March 2014 Sigma Pharmaceuticals Limited announced that it had entered into an agreement to acquire 100% of the share capital of Central Healthcare Pty Ltd (Central Healthcare) from the former owners for $24,500,000 (cash), with the potential for a further earn out payment at 30 June 2015. The earn out payment is based upon the EBITDA performance of the business during the twelve months to 30 June 2015.

Central Healthcare is a wholesaler and distributor of pharmaceutical products to hospitals and retail pharmacies. Central Healthcare is an approved CSO distributor in Victoria, NSW, ACT and Queensland. Central Healthcare also owns and manages the Pharmasave retail brand. The acquisition of Central Healthcare provides the Group with an opportunity to diversify its service offering as well as providing the Group with additional flexibility to support and grow its existing operations. The acquisition has received clearance from the ACCC.

Central Healthcare and Sigma will continue to operate as stand-alone businesses. Central Healthcare has annual sales of approximately $200 million and is expected to initially generate approximately $3.5 million annual EBITDA. Acquisition costs of $0.662 million have been expensed during the period and shown separately in the Statement of profit or loss and other comprehensive income.

The fair value of all of the identifiable assets and liabilities of Central Healthcare, and other components of the initial acquisition accounting for the business combination, cannot be quantified, and have not been disclosed, due to the proximity of the acquisition date to the reporting date.

No other matter or circumstance has arisen since 31 January 2014 that has significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years not otherwise disclosed above.

Dividends

A fully franked interim dividend of 2.0 cents, amounting to $22,532,000 was paid on 23 October 2013.

Since the end of the financial year, the Board of Directors have resolved to pay a fully franked final dividend of 2.0 cents, to be paid on 30 April 2014 to shareholders on the register at the ex-dividend date of 3 April 2014. The total amount payable for these dividends is $22,399,000.

After paying the final dividend, the Group's franking credit balance will have been fully utilised for the remainder of the coming financial year, meaning fully franked interim dividend for the 2015 financial year is unlikely. The Board has committed to consider other capital management initiatives, including the on-market share buy-back, to continue to reward our shareholders.

Directors' and officers' indemnities and insurance

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

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

During the financial year, the Company indemnified Linda Nicholls and Brian Jamieson (Non-Executive Directors), Jeff Sells and Sue Morgan (Officers) for legal costs in complying with ASIC Notices. The amount paid by the Company was $120,318.

Non-audit services

The Company's Risk Management and Audit Committee ("RMAC") is responsible for the maintenance of audit independence.

Specifically, the RMAC Charter ensures the independence of the auditor is maintained by:

a) Limiting the scope and nature of non-audit services that may be provided; and

b) Requiring that permitted non-audit services must be pre-approved by the RMAC.

The RMAC has reviewed a summary of all non-audit services provided by the external auditors for the financial year ended 31 January 2014. The RMAC has confirmed that the provision of these services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 and that the nature and scope of non-audit services provided did not compromise auditor independence. This has been formally advised to the Board of Directors by the RMAC.

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

	2014 $
Other services	
Other advisory services	23,550
Total remuneration	**23,550**

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 22.

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 9 to 20. Details of the remuneration paid to each Non-Executive Director, the CEO and Managing Director and other Senior Managers are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Directors' Report.

Rounding

The Company is of the kind referred to in the Australian Securities and Investments Commission Class Order No. 98/100 and in accordance with this Class Order, amounts in the financial statements and this report have been rounded off to the nearest thousand dollars, unless specifically stated to be otherwise.

The Directors' Report is made in accordance with a resolution of the Board of Directors, and signed for and on behalf of the Directors by:

Mr Brian Jamieson Chairman	**Mr Mark Hooper** CEO & Managing Director

Melbourne
26 March 2014

Remuneration report 2013/14

Introduction

Dear Shareholder,

On behalf of the Remuneration and Nomination Committee, I am pleased to present Sigma's 2013 Remuneration Report (Report).

Whilst 2013 produced solid results for the business, our performance was below our expectations. This was largely due to the higher than expected impact of PBS reforms and the delayed realisation of benefits from our business reinvestment activities. The one-off events relating to the Harrisons bad debt and the historical litigation settlement to Vifor were offset by a higher than anticipated profit from the sale of the Clayton site.

Consistent with our commitment to ensuring remuneration is linked to company performance, no Short Term Incentives have been paid to our Executives, with the exception of those relating to safety (refer to pages 14 to 15). An overview of the key remuneration outcomes for the financial year is as follows:

- Short Term Incentive (STI) payments were restricted to safety performance targets only. The CEO/Managing Director earned 7.5% and the other Executives earned an average 3.75% of their maximum Short Term Incentive (STI) payment (set out on pages 14 to 15)
- In line with market movement, business and individual performance, the CEO/Managing Director received a 4% increase to fixed remuneration and the other Executives received on average 5.75%, effective 1 May 2013 (set out on pages 10 to 11)
- The sign on performance rights awarded to the CEO/Managing Director and Chief Financial Officer upon commencement vested during the financial year (set out on page 15)
- Non-Executive Director base fees and committee fees were increased by 4% in line with external market movement

In line with the ASX Corporate Governance Principles and Recommendations, we have continued our Board review activities this year to ensure the Board is operating effectively. A key focus of the review was to ensure the Board contains the skills and experience required to govern the Company as we move into the next chapter of our strategic journey.

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

Throughout 2014 we look forward to advancing our strategic initiatives and growing our long term profitability.

David Bayes
Chairman – Remuneration and Nomination Committee

Remuneration Report

The Directors of Sigma Pharmaceuticals Limited are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 31 January 2014 (financial year). This Report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

For the purpose of this Report Key Management Personnel (KMP) are defined as persons having authority and responsibility for planning, directing and controlling the major activities of the Group, and include all Non-Executive Directors of the Company and Executives who are listed in the table below.

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

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

Remuneration Governance

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

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

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

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

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

Remuneration Strategy and Principles

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

Competitive remuneration: enabling the Company to attract, retain, motivate and reward high calibre employees and Non-Executive Directors

Equality of remuneration: ensuring that remuneration principles are applied fairly and consistently across the business

Linking incentives to Company performance: rewards are linked to delivery of the Company's financial and strategic goals which deliver value for shareholders

Fostering a partnership between employees and shareholders: through employee ownership of Company shares

Non-Executive Director Remuneration

Remuneration for the Company's Non-Executive Directors is set at levels that fairly reflect the size and complexity of the Company's operations as well as the responsibilities, accountabilities and time commitments of the Non-Executive Directors. It consists of base fees, committee fees and superannuation within the current maximum aggregate fee limit of $1.25 million, as approved by shareholders at the Company's 2012 Annual General Meeting. No change to this amount was sought by the Board during the financial year.

Consistent with external market movements, Non-Executive Director base fees and committee fees were increased by 4% effective 1 May 2013. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were $1,004,947, as set out in Table 1 on page 16.

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

To ensure the interests of Non-Executive Directors are aligned with those of shareholders and in accordance with the rules of the Non-Executive Directors Share Plan (Plan), 25% of each Non-Executive Director's post-tax fees are used to purchase Sigma shares on market every three months. Shares purchased under the Plan cannot be transferred or sold until the Non-Executive Director ceases being a Director of the Company, or the first day of the financial year following the third anniversary of the purchase date or a change of control of the Company, whichever occurs first.

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

	Annual Fee Structure*	
Role	2013/14	2012/13
Chairman	$286,624	$275,600
Non-Executive Director	$108,160	$104,000
Risk Management and Audit Committee – Chair	$60,570	$58,240
Remuneration and Nomination Committee – Chair	$36,774	$35,360
Risk Management and Audit Committee – Member	$30,285	$29,120
Remuneration and Nomination Committee – Member	$18,387	$17,680

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

Non-Executive Director Remuneration (continued)

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

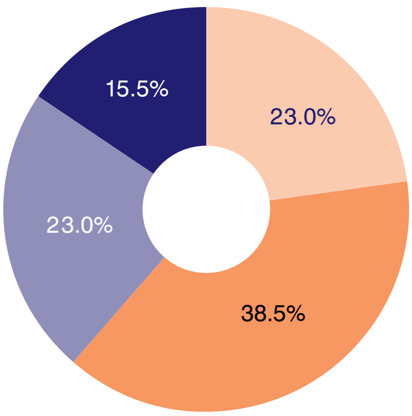
Non-Executive Director	Financial Year	Accumulated Retirement Benefits Balance at 01/02/13 $	Interest Applied to Existing Retirement Benefits $	Retirement Benefits Paid $	Accumulated Retirement Benefits Balance at 31/01/14 $
Ms L Nicholls	2013/14	184,451	5,170	–	189,621
	2012/13	177,407	7,044	–	184,451

Executive Remuneration

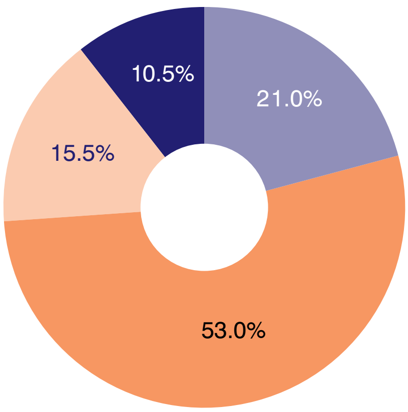
Executive remuneration is based on total reward structure comprising fixed remuneration and at-risk remuneration. At-risk remuneration is made up of short term incentives (STI) and long term incentives (LTI), and it is designed to align executive remuneration with achievement of strategic and financial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

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

CEO/Managing Director



Other Executives



● Fixed Remuneration ● STI Opportunity (cash) ● STI Opportunity (deferred equity) ● LTI Opportunity (deferred equity)

An overview of the Executive remuneration structure for the financial year is outlined below.

Component	Commentary
Fixed Remuneration	100% cash payment comprising base salary and statutory superannuation contributions determined based on the complexity of the role, experience, performance, internal and external market relativities. Reviewed annually on 1 May with no guaranteed increases in any contracts of employment.
At-Risk Remuneration STI	Cash and deferred equity based on performance against annual financial and non-financial measures.
Maximum STI Reward Value	100% (60% in cash and 40% in deferred equity) of fixed remuneration for the CEO/ Managing Director. 50% (60% in cash and 40% in deferred equity) of fixed remuneration for other Executives.

Component	Commentary
Hurdle Requirement	A Net Profit After Tax (NPAT) hurdle must be achieved to trigger any STI payment opportunity. The hurdle excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board. NPAT was selected as an appropriate hurdle as it is the best overall measure of Company performance, is reflective of the generation of shareholder value, and is a measure readily recognised by and reported to shareholders. In recognition of the importance of workplace safety, KPIs relating to safety are excluded from this hurdle requirement, are separately established and payable upon achievement.
Performance Measures Financial	50% of measures relate to Group financials, specifically 25% each is weighted against Return On Invested Capital (ROIC) and NPAT. As a minimum, budgeted performance must be achieved to result in any payment under these financial KPIs. Group financial calculations under the STI plan exclude significant uncontrollable or one-off events, and the initial impacts from business development initiatives, as approved by the Board.
Performance Measures Non-financial	50% of measures relate to a range of non-financial measures, specifically: CEO/Managing Director – strategic initiative development, business development, logistics cost/efficiency and safety. Other Executives – operational performance, continuous improvement, logistics cost/efficiency, safety, project implementation, internal audit and risk management. Rewards successful non-financial outcomes and continuous improvement in safety.
Reward Mechanism	60% of awarded STI is paid in cash upon Board approval of the audited year-end accounts. 40% of awarded STI is delivered in Performance Rights which are deferred for 1 and 2 years (50% each year) and are subject to service and forfeiture conditions. No dividend is payable on deferred rights. Ensures close alignment of the Executive and shareholder interest through increased shareholding and acts as a retention tool where deferred rights are typically forfeited in the case of resignation.
At-Risk Remuneration LTI	Equity reward for delivering long term sustainable growth and shareholder value creation.
Performance Period	Three financial years commencing on 1 February in the year of the grant. The performance period reflects the business cycle of the Company. As a wholesaler, strategic, operational and financial initiatives translate to a short to medium term impact on the financial performance of the Company. The three year period also reflects the competitive market practice in attracting, retaining and rewarding high calibre executives, as 72% of ASX200 companies had a vesting period of three years or less for their LTI plans during the 2013 financial year.
Maximum LTI Reward Value	60% of fixed remuneration for the CEO/Managing Director. 40% of fixed remuneration for other Executives.

Component	Commentary		
Delivery Mechanism[1]	Loan Funded Shares (2013 grant) An interest free limited recourse loan to fund share acquisition. The loan period is 5 years and runs concurrently with the performance period and a 2 year exercise period. The Executives may choose to repay the outstanding loan prior to its expiry. Number of Shares = Maximum LTI Reward Value / Fair Value Loan Value = Number of Shares x Issue Price (market price on Grant Date) The Executives holding loan funded shares have certain rights equal to all other ordinary shareholders, such as voting rights, access to dividends, capital distribution and bonus shares during the loan period. The post-tax value of dividends paid is applied to repay any outstanding loan. At the expiration of the loan period, the amount to be repaid is the lower of: - the outstanding loan less any repayments, and - the market value of the vested shares. Share allocation under the 2013 grant was satisfied through an on-market share acquisition.		
Vesting Conditions	50% based on absolute Total Shareholder Return (TSR) (50% or higher during the performance period for the 2013 grant). Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits) / Sigma share price at the start of the performance period. Measures the level of return to shareholders, taking into account share price growth and dividend payments including the value of any franking credits. 50% based on average pre-tax ROIC excluding significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board (14% during the performance period for the 2013 grant). Pre-tax ROIC = EBIT from continuing operations / (Total Shareholder Funds + Net Debt) Measures capital management effectiveness including outcomes of multi-year investment decisions.		
Re-testing	Shares that do not vest after testing lapse without being re-tested.		
Exercise Price	Issue price (market price on Grant Date).		
Disposal Restrictions	Dealing, transferring or disposing of shares is prohibited until the end of the vesting period; and the loan has been repaid or appropriate arrangements for repayment of the loan have been approved by the Company.		
Forfeiture Conditions	Event	Unvested Shares	Vested Shares
	Resignation	forfeited	retained (subject to loan repayment)
	Summary Dismissal	forfeited	forfeited (if subject to outstanding loan balance)
	Death/Redundancy		Board Discretion

Tables 3 and 4 on pages 20–21 set out the movements of performance rights and loan funded shares during the financial year.

1 LTI plan may also be delivered in a form of performance rights. The Board reviews and determines the most appropriate plan type each year, having considered the business strategy and key performance drivers.

Linking Executive Remuneration and Performance

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

12 months ended 31 January 2014	Financial Year[1]				
	2013/14	2012/13	2011/12	2010/11	2009/10
Share price ($)[2]	0.629	0.692	0.570	0.432	0.935
Dividends paid in the financial year (cps)	4.0	5.5	16.5[3]	–	3.0
TSR[4]	(0.8%)	35.2%	86.3%		
Pre-tax ROIC[5]	14.6%[7]	13.5%[6]	12.4%		
EBIT ($m)	74.7[7]	71.1[6]	69.2	(159.0)	(322.2)
NPAT ($m)	56.8[7]	52.3[6]	49.2	(235.4)	(398.3)

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

2 Except for the share price shown for the 2009/10 financial year, share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 trading days up to and including 31 January.

3 Dividends paid in the financial year include a special dividend of 15 cents per share.

4 TSR = (share price appreciation + dividends + value of franking credits) / VWAP share price at the end of financial year.

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

6 Excludes the impact of the 2012 class action settlement to earnings.

7 Excludes the impact of the 2013 litigation settlement to Vifor (International) Limited and Acquisition expenses.

Company Performance and STI Outcomes

For the Executives to qualify for a payment under the STI plan there must be an acceptable level of Company profit and the achievement of their individual pre-defined performance measures.

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

The NPAT result of $56.8 million did not exceed the hurdle requirement to trigger the STI payment opportunity for the financial year. Therefore, with the exception of performance measures relating to safety, no STI payments occurred for the financial year.

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

Executives	Maximum STI Opportunity as % of Fixed Remuneration	2013/14				2012/13			
		% STI Forfeited	% STI Paid	STI Cash Payment $	STI Deferred Equity $[2]	% STI Forfeited	% STI Paid	STI Cash Payment $	STI Deferred Equity $[1]
Mr M Hooper	100%	92.5%	7.5%	53,150	35,433	28.75%	71.25%	485,503	323,669
Mr G Dunne	50%	42.5%	7.5%	12,600	8,400	13.12%	36.88%	116,156	77,438
Mr J Sells	50%	50%	0%	–	–	13.12%	36.88%	109,768	73,178
Total				65,750	43,833			711,427	474,285

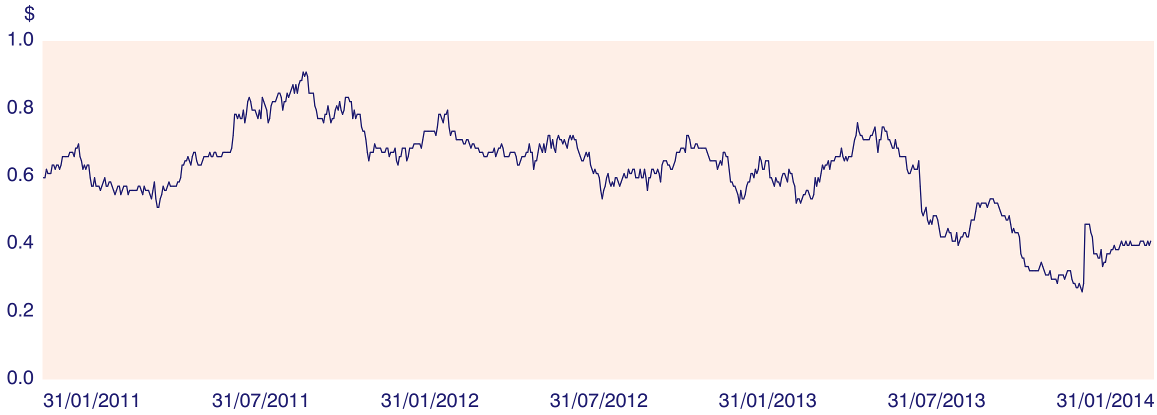
1 50% of the deferred equity vested on 31 January 2014 and the remaining 50% will vest on 31 January 2015.

2 50% of the deferred equity will vest on 31 January 2015 and 31 January 2016 respectively.

Company Performance and LTI Outcomes

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

The following graph depicts the improvements to the Company's share price since the introduction of the Loan Funded Share Plan (LTI). Absolute share price growth during this period equates to 34% and coupled with fully franked dividend payments of 26 cents, this represents a strong return for shareholders.



2011 long term incentive plan

Under the 2011 LTI loan funded share plan, the Company is required to achieve an average pre-tax ROIC of 11% and an Absolute TSR of 50% or higher during the three year performance period for a full vesting to occur. On 31 January 2014 the vesting conditions under the 2011 LTI plan were tested. The Board retains discretion to review and where appropriate, amend any aspect of the LTI plan including performance conditions, as the Board sees fit. The table below shows the level of vesting as approved by the Board:

Performance Period	Performance Measure	Vesting Condition	Actual Achievement	% of LTI Vested	% of LTI Forfeited
1 February 2011 to 31 January 2014	Average pre-tax ROIC	11% or higher	13.5%	50%	0%
	Absolute TSR	50% or higher	131.0%	50%	0%

Although the performance period of the 2011 LTI plan concluded on 31 January 2014, the shares continue to be subject to forfeiture conditions until their vesting dates of 28 June 2014 for Mr M Hooper and Mr J Sells and 4 July 2014 for Mr G Dunne, at which time, the Executives may elect to exercise the vested shares within a two year period at the pre-determined exercise price.

Table 4 on page 20 sets out the details of the 2011 LTI plan vested to the Executives.

Sign on performance rights

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

These rights are not subject to performance conditions, but are conditional on each Executive remaining employed by the Company at the date of vesting. On 6 September 2013, 100% of the performance rights vested and were settled on a one for one basis in fully paid ordinary shares acquired on market.

Table 3 on page 20 sets out the details of the sign on performance rights vested and subsequent share allocation to the CEO/Managing Director and Chief Financial Officer.

Other Remuneration Disclosures

Equity Restrictions

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

Clawback Arrangements

The Board has discretion to adjust or cancel deferred STI, unvested LTI or vested LTI that is subject to an outstanding loan balance, should the Board determine the specific circumstance warrants such action. The clawback arrangements will be reviewed and amended in the context of any future legislative requirements.

Employee Share Plan

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

A total of 472 acceptances were received resulting in 2,624,000 shares being allocated. 626,000 of these shares were transferred to participants from previously forfeited shares held in trust by Sigma Employee Share Administration Pty Ltd, whilst the remaining 1,998,000 shares were acquired on market.

Table 1: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2013/14

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

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

2 For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 10. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

3 Represents cash payments in respect to the 2013/14 STI plan as described on page 14.

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

5 Interest on accrued retirement benefit as described on page 11.

Loans to Executives

There were no loans to the Executives during the financial year, except as allowed under the employee share plan and loan funded share plan (LTI). Loans are not provided to Non-Executive Directors.

Service Agreements

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

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

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

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

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

6 Represents amounts expensed in relation to the sign on performance rights granted to the CEO/Managing Director and Chief Financial Officer (refer to page 15) and amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2011/12, 2012/13 and 2013/14 STI Plan (refer to page 20).

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

8 Includes amounts expensed in relation to sign on performance rights, STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

Table 2: Statutory remuneration disclosure for key management personnel of the company and group: Financial year 2012/13

	Short Term Benefits					Post-employment Benefits		
	Salary and Base Fees[2]	Committee Fees	Cash Short-term Incentives[3]	Sign On Cash Payments	Non-Monetary Benefits[4]	Superannuation Benefits	Increase in Retirement Benefits[5]	Retirement Benefits Paid
	$	$	$	$	$	$	$	$
Non-Executive Directors								
Mr B Jamieson	287,195	–	–	–	5,332	18,072	–	–
Mr D Bayes	103,000	63,860	–	–	5,332	20,666	–	–
Mr R Gunston	103,000	42,100	–	–	5,332	15,277	–	–
Mr D Manuel	103,000	17,510	–	–	5,332	14,461	–	–
Ms L Nicholls AO	103,000	57,680	–	–	5,332	19,324	7,044	–
Subtotal for Non-Executive Directors	**699,195**	**181,150**	–	–	**26,660**	**87,800**	**7,044**	–
Executives								
Mr M Hooper	1,048,383	–	485,503	–	5,332	16,181	–	–
Mr G Dunne	508,317	–	116,156	–	5,332	16,181	–	–
Mr J Sells	442,401	–	109,768	–	5,332	16,181	–	–
Subtotal for Executives	**1,999,101**	–	**711,427**	–	**15,996**	**48,543**	–	–
Total	**2,698,296**	**181,150**	**711,427**	–	**42,656**	**136,343**	**7,044**	–

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

2 For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

3 Represents cash payments in respect to the 2012/13 STI plan.

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

5 Interest on accrued retirement benefit.

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

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

8 Includes amounts expensed in relation to sign on performance rights, STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

Other Long Term Benefits[1]	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including Value in Share-Based Plans	Share Based Payments as Proportion of Remuneration[8]
			Performance Rights[6]	Loan Funded Shares[7]		
$	$	$	$	$	$	%
–	–	310,599	–	–	310,599	0%
–	–	192,858	–	–	192,858	0%
–	–	165,709	–	–	165,709	0%
–	–	140,303	–	–	140,303	0%
–	–	192,380	–	–	192,380	0%
–	**–**	**1,001,849**	**–**	**–**	**1,001,849**	**0%**
5,756	–	1,561,155	756,532	473,811	2,791,498	44%
1,680	–	647,666	42,735	126,641	817,042	21%
2,476	–	576,158	180,530	115,336	872,024	34%
9,912	**–**	**2,784,979**	**979,797**	**715,788**	**4,480,564**	**38%**
9,912	**–**	**3,786,828**	**979,797**	**715,788**	**5,482,413**	**31%**

Table 3: Performance rights: details of movement during the financial year 2013/14

	Grant Date	Fair Value Per Right at Grant Date[1] $	Number of Share Rights Issued	Fair Value of Rights at Grant Date $
Mr M Hooper				
STI Deferred Equity	01/02/2012	0.4976	345,627	171,984
	01/02/2013	0.6233	240,039	149,616
	01/02/2013	0.5799	240,039	139,199
	01/02/2014	0.5574	29,244	16,301
	01/02/2014	0.5221	29,244	15,268
Sign On Award	06/09/2010	0.3520	2,840,909	1,000,000
	29/04/2011	0.3380	1,210,328	409,091
Mr G Dunne				
STI Deferred Equity	01/02/2012	0.4976	37,481	18,651
	01/02/2013	0.6233	57,429	35,795
	01/02/2013	0.5799	57,429	33,303
	01/02/2014	0.5574	6,933	3,864
	01/02/2014	0.5221	6,932	3,619
Mr J Sells				
STI Deferred Equity	01/02/2012	0.4976	70,839	35,249
	01/02/2013	0.6233	54,271	33,827
	01/02/2013	0.5799	54,270	31,471
Sign On Award	06/09/2010	0.3520	710,227	250,000
	29/04/2011	0.3380	302,581	102,272

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

2 Performance rights will only vest if the Executive remains employed with the Company at the exercise date subject to forfeiture conditions.

Table 4: LTI Loan funded shares: details of movement during the financial year 2013/14

Executives	Grant Date	Share Price at Grant $	Fair Value Per Share Grant Date[1] $	Exercise Price	Exercise Date[2]	Balance at 01/02/13[3]	Granted During the Year
Mr M Hooper	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	5,372,395	–
	01/02/2012	0.5750	0.2003	0.5750	31/01/2015	3,784,034	–
	01/02/2013	0.6700	0.1842	0.6700	31/01/2016	–	6,623,452
Mr G Dunne	04/07/2011	0.5400	0.1319	0.5400	04/07/2014	1,639,925	–
	01/02/2012	0.5750	0.1417	0.5750	31/01/2015	1,155,078	–
	01/02/2013	0.6700	0.1842	0.6700	31/01/2016	–	2,041,251
Mr J Sells	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	1,549,729	–
	01/02/2012	0.5750	0.1417	0.5750	31/01/2015	1,091,548	–
	01/02/2013	0.6700	0.1842	0.6700	31/01/2016	–	1,928,982

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

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

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

4 The loan repayments represent the value of post-tax dividends paid during the 2013/2014 financial year that was applied to the outstanding loan balances.

Exercise Date[2]	Exercise Price	Balance of share rights at 01/02/13	Number of share rights granted during the Year	Number of share rights exercised during the Year	Number of share rights vested during the Year	Balance of share rights at 31/01/14
31/01/2014	–	345,627	–	–	345,627	–
31/01/2014	–	–	240,039	–	240,039	–
31/01/2015	–	–	240,039	–	–	240,039
31/01/2015	–	–	–	–	–	–
31/01/2016	–	–	–	–	–	–
06/09/2013	–	2,840,909	–	2,840,909	–	–
06/09/2013	–	1,210,328	–	1,210,328	–	–
31/01/2014	–	37,481	–	–	37,481	–
31/01/2014	–	–	57,429	–	57,429	–
31/01/2015	–	–	57,429	–	–	57,429
31/01/2015	–	–	–	–	–	–
31/01/2016	–	–	–	–	–	–
31/01/2014	–	70,839	–	–	70,839	–
31/01/2014	–	–	54,271	–	54,271	–
31/01/2015	–	–	54,270	–	–	54,270
06/09/2013	–	710,227	–	710,227	–	–
06/09/2013	–	302,581	–	302,581	–	–

Number of Loan Funded Shares				Loan Value and Balance			
Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/14	Loan Value at Grant Date $	Loan Balance at 01/02/13 $	Loan Repayment During the Year[4] $	Loan Balance at 31/01/14 $
–	–	–	5,372,395	2,713,059	2,425,636	164,242	2,261,394
–	–	–	3,784,034	2,043,378	1,985,536	115,683	1,869,853
–	–	–	6,623,452	4,437,713	4,437,713	202,488	4,235,225
–	–	–	1,639,925	885,560	797,824	50,135	747,689
–	–	–	1,155,078	664,170	615,615	35,312	580,303
–	–	–	2,041,251	1,367,638	1,367,638	62,404	1,305,234
–	–	–	1,549,729	782,613	699,703	47,377	652,326
–	–	–	1,091,548	627,640	581,756	33,370	548,386
–	–	–	1,928,982	1,292,418	1,292,418	58,972	1,233,446

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

26 March 2014

Dear Board Members

Sigma Pharmaceuticals Limited

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

As lead audit partner for the audit of the financial statements of Sigma Pharmaceuticals Limited for the year ended 31 January 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 January 2014

	Notes	2014 $'000	2013 $'000
Sales revenue	4	2,973,466	2,942,391
Cost of goods sold		(2,756,581)	(2,733,982)
Gross profit		216,885	208,409
Other revenue and income	4	51,689	38,835
Warehousing and delivery expenses		(102,267)	(101,922)
Sales and marketing expenses		(48,197)	(33,476)
Administration expenses		(37,176)	(33,804)
Net litigation settlement expense	25	(3,677)	(48,004)
Acquisition expenses	34	(662)	–
Depreciation and amortisation	5	(6,280)	(5,665)
Plant rationalisation and restructuring	5	–	(1,276)
Profit before financing costs (EBIT)		70,315	23,097
Financial income	6	2,449	4,170
Financial expenses	6	(4,431)	(2,339)
Net financing (expense)/income	6	(1,982)	1,831
Profit before income tax		68,333	24,928
Income tax expense	7	(14,797)	(6,242)
Profit for the year		53,536	18,686
Other comprehensive income /(loss)			
Items that may be reclassified subsequently to profit or loss			
Changes in the fair value of cash flow hedges	19	(933)	(933)
Exchange differences on translation of foreign operations	19	342	85
Income tax relating to components of other comprehensive income	19	177	254
Other comprehensive loss for the year, net of tax		(414)	(594)
Total comprehensive income for the year		53,122	18,092
Earnings per share (EPS) for profit attributable to the ordinary equity holders of the company:	Notes	Cents	Cents
Basic EPS	9	4.9	1.6
Diluted EPS	9	4.8	1.6

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

Consolidated statement of financial position

As at January 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	30 (a)	67,468	112,692
Trade and other receivables	10	557,401	566,219
Income tax receivable		5,133	13,746
Inventories	11	222,392	255,010
Derivatives		18	–
Prepayments		3,586	3,721
Total current assets		855,998	951,388
Non-current assets			
Trade and other receivables	10	6,605	9,903
Property, plant and equipment	12	52,887	73,556
Intangible assets	13	22,553	14,237
Net deferred tax assets	14	7,126	7,087
Total non-current assets		89,171	104,783
Total assets		945,169	1,056,171
Current liabilities			
Trade and other payables	15	353,064	403,580
Borrowings	16	–	30,000
Provisions	17	11,042	9,415
Deferred income		252	141
Total current liabilities		364,358	443,136
Non-current liabilities			
Provisions	17	1,794	2,007
Deferred income		188	222
Total non-current liabilities		1,982	2,229
Total liabilities		366,340	445,365
Net assets		578,829	610,806
Equity			
Contributed equity	18	1,294,414	1,337,226
Reserves	19	17,537	14,511
Accumulated losses		(733,122)	(740,931)
Total equity		578,829	610,806

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

Consolidated statement of changes in equity

For the year ended 31 January 2014

	Notes	Contributed equity				
		Issued capital $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Total Equity $'000
Balance at 1 February 2012		1,382,504	(17,246)	16,035	(698,766)	682,527
Profit for the year		–	–	–	18,686	18,686
Other comprehensive loss	19	–	–	(594)	–	(594)
Total comprehensive income for the year		–	–	(594)	18,686	18,092
Transactions with owners in their capacity as owners:						
Movements in:						
– Employee shares exercised	18	–	448	–	–	448
– Share-based remunerations plans	19	–	–	2,411	–	2,411
– Contributed equity	18	1,895	(1,895)	–	–	–
Share buy back	18	(15,925)	(12,555)	–	–	(28,480)
Dividends paid	8/19	–	–	1,154	(65,069)	(63,915)
Transfer amount from reserves to accumulated losses	19	–	–	(4,218)	4,218	–
Dividends applied to equity compensation plan	19	–	–	(277)	–	(277)
		(14,030)	(14,002)	(930)	(60,851)	(89,813)
Balance at 31 January 2013		1,368,474	(31,248)	14,511	(740,931)	610,806
Profit for the year		–	–	–	53,536	53,536
Other comprehensive loss	19	–	–	(414)	–	(414)
Total comprehensive income for the year		–	–	(414)	53,536	53,122
Transactions with owners in their capacity as owners:						
Movements in:						
– Employee shares exercised	18	–	735	–	–	735
– Share-based remunerations plans	19	–	–	2,287	–	2,287
– Contributed equity	18	(1,255)	1,255	–	–	–
Share buy back	18	(31,154)	(12,393)	–	–	(43,547)
Dividends paid	8/19	–	–	1,483	(45,727)	(44,244)
Dividends applied to equity compensation plan	19	–	–	(330)	–	(330)
		(32,409)	(10,403)	3,440	(45,727)	(85,099)
Balance at 31 January 2014		1,336,065	(41,651)	17,537	(733,122)	578,829

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

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

Consolidated statement of cash flows

For the year ended 31 January 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		3,340,629	3,301,559
Payments to suppliers and employees		(3,249,491)	(3,169,046)
Net payment for litigation settlement	25	(3,677)	(48,004)
Interest received		2,449	4,170
Interest paid		(4,458)	(2,447)
Income taxes paid		(5,805)	(20,606)
Net cash inflow from operating activities	30 (b)	79,647	65,626
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles	12	(7,293)	(10,200)
Proceeds from sale of property, plant and equipment		78	23
Net cash (outflow)/ inflow from investing activities		(7,215)	(10,177)
Cash flows from financing activities			
Net repayment of borrowings	16	(30,000)	(5,000)
Payments for shares bought back		(31,587)	(15,492)
Purchase of Sigma shares for employees		(13,308)	(11,640)
Proceeds from employee shares exercised	18 (c)	735	448
Receipts from other loans receivable		661	4,239
Dividends paid	8	(44,244)	(63,915)
Net cash outflow from financing activities		(117,743)	(91,360)
Net (decrease)/increase in cash and cash equivalents		(45,311)	(35,911)
Cash and cash equivalents held at the beginning of the financial period		112,692	148,601
Effects of exchange rate changes on cash and cash equivalents		87	2
Cash and cash equivalents at the end of the financial period	30 (a)	67,468	112,692

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

Notes to the consolidated financial statements

Notes to the consolidated financial statements

For the year ended 31 January 2014

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 26 March 2014.

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

The consolidated financial statements represent a continuation of the financial statements of the Sigma Company Limited Group (the "Group"). For the purpose of preparing the consolidated financial statements, the Company is a for-profit entity.

(b) Statement of Compliance

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

Compliance with IFRS

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

(c) Basis of measurement

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

This Financial Report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

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 2014 and the results of all subsidiaries for the year then ended. Sigma Pharmaceuticals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including special purpose entities) over which the Group has control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions eliminated on consolidation

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

Business combinations

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

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

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

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

Use of special purpose vehicle

The special purpose vehicle used is in relation to the Sigma Employee Share Plan ("ESP"). Any amount of unvested shares held by the ESP are owned by the consolidated entity until they vest and these unvested shares at cost are eliminated on consolidation within equity as shares held by the equity compensation plan.

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

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

(e) Use of accounting estimates and judgements

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

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

Carrying value of inventory

The consolidated entity assesses whether inventory is recorded at the lower of cost and Net Realisable Value and ensures all obsolete or slow moving stock is appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific inventories and to the best of management's knowledge inventories have been correctly and fairly recorded as at 31 January 2014.

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 2014.

Estimation of useful lives of assets

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

Share based payment transaction

The Company measures the cost of equity settled securities allocated to employees by reference to the fair value of the equity instruments at the date at which they are granted. For the Executive short term and long term incentive plans and Performance rights plan, the fair value of the performance share rights is determined using Black Scholes pricing model. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact the share based payment expense and equity.

Lease make good provision

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

1. Basis of financial report preparation (continued)

Impairment and recoverable amount of assets other than goodwill:

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

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

2. Summary of significant accounting policies

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

(a) Revenue

Sale of goods

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

Sales made during the ordinary course of business and on normal terms and conditions have an agreed period in which the inventory can be returned. An appropriate provision is recognised for these returns.

Community Service Obligation ("CSO")

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

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

Other revenue

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

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

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

Rentals and other trading revenue
Other revenue includes sub-lease rentals. Sub-lease revenue is recognised on a straight line basis over the period of lease.

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

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

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

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

(d) Finance costs

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

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

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

(e) Goods and services tax

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

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

(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) Impairment and recoverable amount of assets

Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the profit or loss.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their fair value less costs 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 are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

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

(h) 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.

2. Summary of significant accounting policies (continued)

(i) Receivables

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

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

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

(j) 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.

(k) Investments

Investments in subsidiaries are carried at cost in the individual financial statements of Sigma Pharmaceuticals Limited. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell.

(l) Property, plant and equipment

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

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

Buildings	40 years
Plant and Equipment	2 to 20 years

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

(m) 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.

Software

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

(n) Leases

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

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

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

(o) 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.

(p) 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.

(q) Provisions

A provision is recognised when a present legal, equitable or constructive obligation exists and can be reliably measured as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

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

Provision for Director's retirement

A provision for Directors' retirement benefits is recognised in respect of all eligible non-executive Directors who have served in that capacity for at least five years with a pro-rata entitlement accrual commencing after three years service. This benefit was frozen at 31 January 2006 whereby Directors will receive their frozen entitlement (plus interest).

Rationalisation and restructuring

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

Lease make good

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

(r) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, compensated absences and other benefits, which are charged against profits in their respective expense categories when services are provided or benefits vest with the employee. The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled after 12 months from the reporting date are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. Contributions to superannuation plans are charged to profit or loss as the contributions are paid or become payable.

Long service leave

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

Superannuation plans

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

(s) Share-based payment transactions

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 28.

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

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

Sigma employee and senior executive share plans

Any amount of unvested shares held by the ESP are owned by the consolidated entity until they vest and these unvested shares at cost are eliminated on consolidation within equity as shares held by the equity compensation plan. Dividends paid by Sigma Pharmaceuticals Limited on shares held by the ESP are eliminated in full on consolidation. A transfer is made from retained earnings/accumulated losses to a separate reserve on consolidation for the amount of the dividends applied to repay the loan balance as this represents a part of the exercise price 'paid' by the employee.

(t) 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 profit or loss.

Australian tax consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 19 December 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Sigma Pharmaceuticals Limited.

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

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

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

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

(u) 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.

(v) Derivatives

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

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

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

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

(w) 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).

(x) 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.

(y) 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.

(z) Deferred income

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

(aa) Parent entity financial information

The financial information for the parent entity, Sigma Pharmaceuticals Limited (the "Company"), disclosed in Note 31 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.

(ab) New accounting standards and interpretations

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

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.

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.

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.

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 amendment does not have any significant impact on the Group's disclosures.

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

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 determine fair value and requires disclosures about fair value measurements. It does not change the requirements regarding which items should be measured or disclosed at fair value.

The Group is not significantly impacted by the new guidance with the only item on the balance sheet requiring valuation at year end being the mark to market valuation of forward rate contracts. Based on the reporting and disclosure requirements for the year end review, there is no impact on this financial report.

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

AASB 2011-9 makes amendments to a range of Australian Accounting Standards as a result of the issuance of the IASB Standard Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) in June 2011. The amendments:

- Requires entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments)
- Require tax associated with items presented before tax to be shown separately for each of the two groups of OCI items (without changing the option to present items of OCI either before tax or net of tax).

Other than the above mentioned presentation changes under amendments to AASB 101 'Presentation of Financial Statements', the application does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 changes in accounting and disclosure of defined benefit plans, modifying the accounting for termination benefits and changes to the classification of employee benefits. The amendments define short term employee benefits as employee benefits that are "expected to be settled wholly before twelve months after the end of annual reporting period" in place of currently used "due to be settled".

The Group has revised the classification of the employee benefits in accordance with changes in the accounting standard. The change does not have a significant impact on the year-end financial report.

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

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

Key amendments include:

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

These amendments have had no impact on the year-end financial report.

New standards and interpretations not yet adopted

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

AASB 9 'Financial Instruments', and the relevant amending standards (effective 1 January 2015)

The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009)', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010)', AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

AASB 9 revises the requirements for the classification and measurement of financial liabilities and derecognition rules have been transferred from AASB 139 'Financial Instruments'. It is not expected to have a material impact on the financial statements of the entity and the Group has not decided when to adopt AASB 9.

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 are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3. Segment information

Information on segments

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

For the year ended 31 January 2014 management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, that the Group continues to operate only in the Healthcare segment.

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

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

One customer group contributes revenues which form greater than 30% 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 2014 was $1,010.7 million (2013: $873.7 million).

4. Revenue and other income

	2014 $'000	2013 $'000
Sales revenue	2,973,466	2,942,391
Other revenue		
Commissions and fees	7,245	8,003
Membership revenue	10,920	11,169
Marketing services and promotional revenue	16,809	14,447
Rentals and other trading revenue	5,742	5,209
Total other revenue	40,716	38,828
Other Income		
Profit on sale of property, plant and equipment *	10,973	7
Total other revenue and other income	51,689	38,835

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

5. Expenses

	2014 $'000	2013 $'000
Expenses before interest and income tax:		
Amortisation		
Brand names	449	435
Software	821	–
Total amortisation	1,270	435
Depreciation		
Buildings	680	629
Plant and equipment	5,130	4,601
Total depreciation	5,810	5,230
Impairment reversal of land and building	(800)	–
Total depreciation and amortisation	6,280	5,665
Rationalisation and restructuring		
Amounts included in rationalisation and restructuring are detailed below:		
Redundancy expense	–	1,276
Total rationalisation and restructuring	–	1,276
Write down of inventories to net realisable value	4,027	4,038
Impairment bad and doubtful debts – trade debtors	7,757	(358)
Employee benefits expense	84,927	81,248
Defined contribution plans	5,737	5,707
Employee share-based payments expense	2,287	2,411
Directors' retirement provision	6	7
Rental expenses on operating leases	6,773	7,656

6. Net financing income

	2014 $'000	2013 $'000
Financial income		
Interest revenue	2,449	4,170
Total financial income	2,449	4,170
Financial expenses		
Interest expense	(4,431)	(2,339)
Total financial expenses	(4,431)	(2,339)
Net financing (expense)/income	(1,982)	1,831

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

7. Income tax expense

	2014 $'000	2013 $'000
Profit before income tax	68,333	24,928
Prima facie income tax expense calculated at 30%	20,500	7,478
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other items	(1,797)	1,284
Effect of recoupment of capital losses not previously recorded	(4,477)	–
Effect of previously recognised deferred tax no longer required	–	(2,885)
Amounts (over)/under provided in prior years	571	365
Income tax expense	14,797	6,242
Income tax expense comprises –		
Current expense	14,088	280
Deferred benefit	138	5,597
Adjustments for current income tax of prior periods	571	365
Income tax expense	14,797	6,242

Unrecognised Deferred tax losses

Deferred tax assets have not been recognised in respect of capital losses of $217.3 million tax effected (2013: $221.8 million tax effected) because it is not probable that the Group will have sufficient future capital gains available against which the deferred tax asset could be utilised.

8. Dividends

	2014 $'000	2013 $'000
Dividends recognised by the parent entity	45,745	65,069
Less: dividends paid on shares held by Sigma employee share plan	(18)	–
	45,727	65,069
Less: dividends paid on shares issued under the Sigma employee share plan	(1,483)	(1,154)
Dividends paid by the Group	44,244	63,915

	Cents per Share	Amount $'000	Date of payment	Tax rate for franking credit %	Percentage Franked %
2014					
Final dividend for the year ended 31 January 2013 – Ordinary shares paid in cash	2.0	23,213	19 April 2013	30	100
Interim dividend for the year ended 31 January 2014 – Ordinary shares paid in cash	2.0	22,532	23 October 2013	30	100
Total dividends recognised by the parent entity		45,745			
Less: dividends paid on shares held by Sigma employee share plan		(18)			
Less: dividends paid on the shares under the Sigma employee share plan		(1,483)			
Total dividends paid by the Group		44,244			
2013					
Special and Final dividend for the year ended 31 January 2012 – Ordinary shares paid in cash	3.5	41,343	27 April 2012	30	100
Interim dividend for the year ended 31 January 2013 – Ordinary shares paid in cash	2.0	23,726	26 October 2012	30	100
Total dividends recognised by the parent entity		65,069			

8. Dividends (continued)

	Cents per Share	Amount $'000	Date of payment	Tax rate for franking credit %	Percentage Franked %
Less: dividends paid on the shares under the Sigma employee share plan		(1,154)			
Total dividends paid by the Group		63,915			

	2014 $'000	2013 $'000
Dividend franking account		
Amount of franking credits available for the subsequent year	3,733	17,829

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

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

Subsequent Events

Since the end of the financial year a fully franked final dividend of 2.0 cents has been declared by the Directors (see Note 34).

9. Earnings per share

	2014 Cents	2013 Cents
(a) Basic earnings per share	4.9	1.6
(b) Diluted earnings per share	4.8	1.6
	2014 $'000	**2013 $'000**
(c) Profit used in the calculation of basic and diluted EPS		
Net profit used in calculating basic and diluted EPS	53,536	18,686
Profit used to calculate basic and diluted EPS	53,536	18,686
(d) Weighted average number of shares used in the calculation of basic and diluted earnings per share	2014 No. '000s	2013 No. '000s
Shares on issue as at 1 February	1,162,670	1,178,627
Add: Effect of shares issued	–	5,749
Less: Effect of share buyback	(28,486)	(4,050)
Less: Effect of shares held under the equity compensation plan	(50,311)	(28,409)
Weighted average number of ordinary shares at 31 January used in calculation of basic earnings per share	1,083,873	1,151,917
Add: Effect of potential conversion to ordinary shares under executive rights/option schemes	25,878	28,002
Add: Effect of shares held under Sigma Employee Share Plan	2,731	3,868
Weighted average number of ordinary shares at 31 January used in calculation of diluted earnings per share	1,112,482	1,183,787

Performance Rights and Options

Full details of share rights and options are included in Note 28. The rights and options are considered dilutive and are included in the calculation of diluted earnings per share.

10. Trade and other receivables

	2014 $'000	2013 $'000
Current		
Trade debtors (a)	526,321	552,367
Provision for impairment of receivables (a)	(10,994)	(3,740)
	515,327	548,627
Other debtors (b)	41,210	17,499
Other loan receivables (c)	1,021	93
Provision for impairment of receivables (c)	(157)	–
	864	93
Total current receivables	557,401	566,219
Non-current		
Trade debtors (a)	6,605	8,217
Other loan receivables (c)	–	1,736
Provision for impairment of receivables (c)	–	(50)
	–	1,686
Total non-current receivables	6,605	9,903

(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 $0.0 million at 31 January 2014 (2013: $30.0 million).

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

Impaired trade receivables

As at 31 January 2014, current trade receivables of the Group with a nominal value of $15.1 million (2013: $4.0 million) were impaired. The amount of the provision was $11.0 million (2013: $3.7 million). The individually impaired receivables mainly relate to customers who are in difficult economic situations. Each debtor has been assessed independently and taking into consideration all aspects of the debt and the probability of recovery. Where debt recovery is remote, the amount has been fully provided, and in instances where there is a reasonable prospect of debt recovery, an estimate has been made on the most likely outcome according to information available at 31 January 2014.

The ageing of these impaired Group receivables is as follows:

	2014 $'000	2013 $'000
0 days to 90 days overdue	4,638	1,756
Over 90 days overdue	10,450	2,225
	15,088	3,981

10. Trade and other receivables (continued)

As at 31 January 2014, trade receivables of $7.7 million (2013: $8.2 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:

	2014 $'000	2013 $'000
0 days to 30 days overdue	3,987	4,950
Over 30 days overdue	3,680	3,247
	7,667	8,197

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

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

	2014 $'000	2013 $'000
At start of financial year	3,740	32,985
Provision raised during the year	8,055	–
Provision for impairment adjustment	–	(201)
Receivables written off during the year as uncollectible	(801)	(29,044)
At end of financial year	10,994	3,740

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

(b) Other debtors

At 31 January 2014, other debtors include $25.3 million as a receivable in relation to sale of Clayton land and building.

(c) Other loan receivables

At 31 January 2014, there is one individual loan remaining with a total nominal value of $1.0 million (2013: $1.6 million). The amount of the loan receivables due within 12 months have been classified as current.

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

Impaired other loan receivables

As at 31 January 2014, $0.16 million (2013: $0.05 million) of current receivables were considered impaired and a full provision for this impairment has been made.

(d) Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. 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 33.

11. Inventories

	2014 $'000	2013 $'000
At Cost		
Finished goods	226,530	259,847
Provision for obsolescence	(4,138)	(4,837)
Net inventories	222,392	255,010

12. Property, plant and equipment

	Note	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 February 2012				
Cost		42,953	59,775	102,728
Accumulated depreciation		(9,121)	(25,005)	(34,126)
Net book amount		**33,832**	**34,770**	**68,602**
Year ended 31 January 2013				
Opening net book amount		33,832	34,770	68,602
Additions		–	10,200	10,200
Transfer of completed projects		113	(113)	–
Disposals		–	(16)	(16)
Depreciation	5	(629)	(4,601)	(5,230)
Closing net book amount		**33,316**	**40,240**	**73,556**
At 31 January 2013				
Cost		43,064	69,434	112,498
Accumulated depreciation		(9,748)	(29,194)	(38,942)
Net book amount		**33,316**	**40,240**	**73,556**
Year ended 31 January 2014				
Opening net book amount		33,316	40,240	73,556
Additions		–	7,293	7,293
Transfer of completed projects		350	(350)	–
Transfer of intangible software		–	(9,281)	(9,281)
Impairment reversal of land and building*	5	800	–	800
Disposals		(13,637)	(34)	(13,671)
Depreciation	5	(680)	(5,130)	(5,810)
Closing net book amount		**20,149**	**32,738**	**52,887**
At 31 January 2014				
Cost		27,462	66,413	93,875
Accumulated depreciation		(7,313)	(33,675)	(40,988)
Net book amount		**20,149**	**32,738**	**52,887**

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

13. Intangible assets

	Note	Brand Names $'000	Software $'000	Total $'000
At 1 February 2012				
Cost		23,276	–	23,276
Accumulated amortisation		(8,679)	–	(8,679)
Net book amount		**14,597**	–	**14,597**
Year ended 31 January 2013				
Opening net book amount		14,597	–	14,597
Foreign currency movements		75	–	75
Amortisation	5	(435)	–	(435)
Closing net book amount		**14,237**	–	**14,237**
Year ended 31 January 2013				
Cost		23,478	–	23,478
Accumulated amortisation		(9,241)	–	(9,241)
Net book amount		**14,237**	–	**14,237**
Year ended 31 January 2014				
Opening net book amount		14,237	–	14,237
Transfer from property, plant and equipment		–	9,281	9,281
Foreign currency movements		305	–	305
Amortisation	5	(449)	(821)	(1,270)
Closing net book amount		**14,093**	**8,460**	**22,553**
Year ended 31 January 2014				
Cost		24,357	9,281	33,638
Accumulated amortisation		(10,264)	(821)	(11,085)
Net book amount		**14,093**	**8,460**	**22,553**

Impairment of intangible assets

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

14. Net deferred tax assets

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

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

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

15. Trade and other payables

	2014 $'000	2013 $'000
Current		
Trade creditors	327,491	375,775
Other creditors	25,573	27,805
Total current payables	353,064	403,580

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 33.

16. Borrowings

	2014 $'000	2013 $'000
Current		
Secured loans	–	30,000
Total current borrowings	–	30,000

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. 7" dated 22 January 2014, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 5 February 2016. The limit has been increased from $125 million to $175 million and the term is two years. The facility has been refinanced on the same terms and conditions as the previous facility. However, additional flexibility regarding funding drawdowns has been created.

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 2014, Sigma has complied with its obligations under the facility.

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

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

Details of the Group's exposure to risk arising from borrowings are set out in Note 33.

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 33.

17. Provisions

	2014 $'000	2013 $'000
Current		
Employee benefits	**10,527**	8,805
Redundancy provisions	–	150
Lease make good provision	**325**	276
Directors' retirement	**190**	184
Total current provisions	**11,042**	9,415
Non-current		
Employee benefits	**969**	1,245
Lease make good provision	**825**	762
Total non-current provisions	**1,794**	2,007

Movement in provisions

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

2014	Redundancy provision $'000	Lease make good provision $'000	Directors' retirement $'000
Current			
Carrying amount at start of year	150	276	184
Charged/(credited) to profit or loss			
– additional provisions recognised	–	–	6
– unused amount reversed	(43)	–	–
Amounts used during the year	(107)	–	–
Reclassification from non-current to current	–	49	–
Carrying amount at the end of the period	–	325	190

2014		Lease make good provision $'000
Non-current		
Carrying amount at start of year		762
Charged/(credited) to profit or loss		
– additional provisions recognised		112
– unused amount reversed		–
Amounts used during the year		–
Reclassification from non-current to current		(49)
Carrying amount at the end of the period		825

18. Contributed equity

	2014 $'000	2013 $'000
Issued capital		
Ordinary shares fully paid	1,336,065	1,368,474
Issued capital held by equity compensation plan		
Treasury shares	(41,651)	(31,248)
Total contributed capital	1,294,414	1,337,226

(a) Movements in ordinary share capital – the Company

Details	Notes	No. of shares	$'000
Balance at 1 February 2012		1,178,626,572	377,871
Share buyback	(g)	(23,633,906)	(15,925)
Shares issued to the Employee loan funded share plans		10,937,845	6,185
Shares forfeited under the Employee loan funded share plans		(3,260,897)	(4,290)
Balance at 31 January 2013		1,162,669,614	363,841
Share buyback	(g)	(42,715,371)	(31,154)
Shares forfeited under the Employee loan funded share plans		(626,000)	(1,731)
Shares issued under the Employee loan funded share plans		626,000	476
Balance at 31 January 2014		1,119,954,243	331,432

(b) Movements in ordinary share capital – Consolidated

Details	Notes	No. of shares	$'000
Balance at 1 February 2012			1,382,504
Share buyback	(g)	(23,633,906)	(15,925)
Shares issued to the Employee loan funded share plans		10,937,845	6,185
Shares forfeited under the Employee loan funded share plans		(3,260,897)	(4,290)
Balance at 31 January 2013			1,368,474
Share buyback	(g)	(42,715,371)	(31,154)
Shares forfeited under the Employee loan funded share plans		(626,000)	(1,731)
Shares issued under the Employee loan funded share plans		626,000	476
Balance at 31 January 2014			1,336,065

(c) Movements in treasury share capital

Details	No. of Shares	$'000
Balance at 1 February 2012	(21,152,733)	(17,246)
Shares bought on market	(18,300,000)	(12,555)
Shares issued to the Employee loan funded share plans	(10,937,845)	(6,185)
Employee shares exercised	554,751	448
Shares forfeited under the Employee loan funded share plans	3,260,897	4,290
Balance at 31 January 2013	(46,574,930)	(31,248)
Shares bought on market	(18,392,039)	(12,393)
Shares issued under short term incentive	611,210	–
Shares issued under performance rights	5,064,045	–
Employee shares exercised	742,638	735
Shares forfeited under the Employee loan funded share plans	626,000	1,731
Shares issued under the Employee loan funded share plans	(626,000)	(476)
Balance at 31 January 2014	(58,549,076)	**(41,651)**

18. 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 Sigma Employee Share Administration Pty Ltd are treasury shares which are the Company's ordinary shares which as at the end of the financial year, have not vested to Group employees, and are therefore controlled by the Group.

(f) Capital management

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

(g) Share buy-back

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

5,321,176 shares bought back towards end of the year were cancelled in February 2014; all other shares bought back were cancelled during the year.

19. Reserves

	Capitals Profits Reserve $'000	Foreign Currency Translation Reserve $'000	General Reserve $'000	Options / Performance Rights Reserve $'000	Derivative Hedge Reserve $'000	Employee Share Reserve $'000	Total $'000
Balance at 31 January 2012	1,450	(87)	2,280	5,824	1,306	5,262	16,035
Foreign exchange translation expense	–	85	–	–	–	–	85
Options/performance rights expense	–	–	–	2,411	–	–	2,411
Dividends appropriated	–	–	–	–	–	1,154	1,154
Dividend applied to equity compensation plan	–	–	–	–	–	(277)	(277)
Transfer to accumulated losses *	(1,450)	(14)	(2,280)	(474)	–	–	(4,218)
Net movement in derivatives	–	–	–	–	(933)	–	(933)
Deferred income tax	–	(26)	–	–	280	–	254
Balance at 31 January 2013	–	(42)	–	7,761	653	6,139	14,511
Foreign exchange translation expense	–	342	–	–	–	–	342
Options/performance rights expense	–	–	–	2,287	–	–	2,287
Dividends appropriated	–	–	–	–	–	1,483	1,483
Dividend applied to equity compensation plan	–	–	–	–	–	(330)	(330)
Net movement in derivatives	–	–	–	–	(933)	–	(933)
Deferred income tax	–	(103)	–	–	280	–	177
Balance at 31 January 2014	–	197	–	10,048	–	7,292	17,537

*Transfer to accumulated losses

During the prior year a total of $4.2 million of unutilised reserves were transferred to accumulated losses.

19. Reserves (continued)

Nature and purpose of reserves

Foreign currency translation reserve

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

Option/performance rights reserve

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

Derivative hedge reserve

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

Employee share reserve

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

20. Expenditure commitments

	Note	2014 $'000	2013 $'000
Contracts for capital expenditure for which no amounts have been provided		935	1,294
Non-cancellable operating leases commitments	(a)		
Expenditure contracted but not provided for in the financial statements:			
– Payable not later than one year		5,454	5,813
– Payable later than one year but not later than five years		7,985	11,064
– Payable later than five years		11,530	13,375
		24,969	30,252

(a) Assets that are the subject of operating leases include leased premises, motor vehicles, items of machinery and equipment. The lease terms for leased premises vary between five and 15 years with the majority of leases providing for additional option periods. Contingent rental provisions within the lease agreement provide for increases within the rental structure in line with the CPI and market value. The average lease term for equipment rental is between three and five years.

21. Auditors remuneration

	2014 $	2013 $
During the year the auditors, and its related practices, of Sigma Pharmaceuticals Limited earned the following remuneration:		
Deloitte Touche Tohmatsu		
Audit and review of financial reports of the entity or any controlled entity	275,940	250,000
Other assurance services provided		
Other advisory services	23,550	69,114
PricewaterhouseCoopers, Australia		
Audit and review of financial reports of the entity or any controlled entity	–	2,598
Total Remuneration	299,490	321,712

22. Key management personnel disclosures

a. Key management personnel compensation

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

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

Key management personnel

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

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

Individual Directors' and executives' compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 9 to 20.

The disclosures in the Remuneration Report are audited.

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

	2014 $	2013 $
Short-term employee benefits	**3,291,328**	3,633,529
Post-employment benefits	**132,328**	143,387
Long-term benefits	**18,735**	9,912
Share-based payments	**1,765,591**	1,695,585
	5,207,982	5,482,413

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

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

2014							
Name	Balance at start of year	Granted as compensation	Exercised	Lapsed during year	Balance at year end	Vested and exercisable	Unvested
CEO & Managing Director							
Mr M Hooper	4,742,491	480,078	(4,396,864)	–	825,705	585,666	240,039
Key Executive							
Mr G Dunne	74,962	114,858	(37,481)	–	152,339	94,910	57,429
Mr J Sells	1,154,486	108,541	(1,083,647)	–	179,380	125,110	54,270

22. Key management personnel disclosures (continued)

2013 Name	Balance at start of year	Granted as compensation	Exercised	Lapsed during year	Balance at year end	Vested and exercisable	Unvested
CEO & Managing Director							
Mr M Hooper	4,051,237	691,254	–	–	4,742,491	345,627	4,396,864
Key Executive							
Mr G Dunne	–	74,962	–	–	74,962	37,481	37,481
Mr J Sells	1,012,808	141,678	–	–	1,154,486	70,839	1,083,647

ii. Equity holdings of key management personnel

2014	Number of shares at start of year	Number of shares acquired through Share Plans during the year	Number of shares purchased during the year	Number of shares sold during the year	Other changes	Number of shares at end of year
Directors						
Mr B Jamieson	475,659	–	56,854	–	–	532,513
Mr D Bayes	186,209	–	34,756	–	–	220,965
Mr R Gunston	77,314	–	34,146	–	–	111,460
Mr D Manuel	108,910	–	25,101	–	–	134,011
Ms L Nicholls, AO	496,991	–	33,468	–	–	530,459
CEO & Managing Director						
Mr M Hooper	100,000	4,396,864	–	–	–	4,496,864
Key Executive Personnel						
Mr G Dunne	–	37,481	–	–	–	37,481
Mr J Sells	150,000	1,083,647	50,000	–	–	1,283,647

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

22. Key management personnel disclosures (continued)

iii. Option holdings over ordinary shares of key management personnel

2014	Number of options at start of year	Number of options granted through Share Plans during the year[1]	Number of options exercised during the year	Number of options lapsed during the year	Balance at year end	Vested and exercisable	Unvested
CEO & Managing Director							
Mr M Hooper	9,165,041	6,628,452	–	–	15,793,493	–	15,793,493
Key Executive Personnel							
Mr G Dunne	2,798,361	2,046,251	–	–	4,884,612	–	4,884,612
Mr J Sells	2,649,889	1,933,982	–	–	4,583,871	–	4,583,871

2013	Number of options at start of year	Number of options granted through Share Plans during the year[1]	Number of options exercised during the year)	Number of options lapsed during the year	Balance at year end	Vested and exercisable	Unvested
CEO & Managing Director							
Mr M Hooper	5,377,649	3,787,392	–	–	9,165,041	–	9,165,041
Key Executive Personnel							
Mr G Dunne	1,639,925	1,158,436	–	–	2,798,361	–	2,798,361
Mr J Sells	1,554,983	1,094,906	–	–	2,649,889	–	2,649,889

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

23. Related party disclosures

The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group.

Controlled entities

Interests in controlled entities are set out in Note 27.

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 22 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 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 2014 was $4,972,926 (2013–$4,890,868).

The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 10 was $446,958 (2013 – $502,480). 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.

24. Guarantees

	2014 $'000	2013 $'000
Guarantees existed at the end of year in respect of:		
Other guarantees	2,424	2,424
Total	2,424	2,424

Deed of Cross Guarantee

Under the terms of a Deed of Cross Guarantee dated 20 January 2006, entered into accordance with the ASIC Class Order 98/1418, the Company has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the Deed (See Note 27).

25. Litigation settlement expense

(a) Vifor

Sigma Pharmaceuticals Limited reached an agreement with Vifor (International) Limited in May 2013. The matter related to Sigma's injectable iron product, Ferrosig. The reported expense consists of agreed settlement amount plus legal costs. Sigma has retained the rights to sell the Ferrosig product in the Australian market.

(b) Shareholder class action

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

26. Contingent Liability

(a) Sale of Clayton land and building

During the financial year, Sigma Pharmaceuticals Limited sold the Clayton land and buildings to Cedar Woods Limited (the purchaser). As part of the agreement, Sigma indemnified the purchaser against any loss arising from any damage to the property until settlement date, up to maximum amount of $316,000. The settlement is expected in August 2014.

(b) Shareholder class action

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

27. Details of controlled entities

		Sigma Pharmaceuticals Group direct or indirect interest in ordinary shares/equity	
	Country of formation or incorporation	2014 %	2013 %
Sigma Pharmaceuticals Limited	Australia		
Controlled entities –			
Chemist Club Pty Limited[a]	Australia	100	100
Sigma Company Limited[a]	Australia	100	100
Allied Master Chemists of Australia Limited[a]	Australia	100	100
Guardian Pharmacies Australia Pty Ltd[a]	Australia	100	100
Sigma Employee Share Administration Pty Ltd	Australia	100	100
Sigma NZ Limited	New Zealand	100	100
Pharmacy Wholesalers (Wellington) Limited	New Zealand	100	100
QDL Limited[a]	Australia	100	100
Sigma (W.A.) Pty Ltd[a]	Australia	100	100

a These wholly-owned companies are subject to a deed of cross guarantee (See Note 32).

28. Employee share plans and share based payments

Employee Share Plan

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

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

Issue date	Issue price[(a)]	Total shares on issue[(a)]
20 September 2004	$1.66	627,554
16 June 2006	$2.48	795,500
21 January 2009	$0.97	885,900
15 January 2010	$1.00	819,000
23 May 2011	$0.38	1,098,086
18 June 2012	$0.60	1,203,176
01 July 2013	$0.76	2,624,000
		8,053,216

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

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

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

Share based payments

(a) Executive Short Term Incentive Option Plan

The short term incentive (STI) plan for executives of the Group is designed to drive key performance measures aligned to strategy and financial objectives. Pre-defined key performance measures are established each year to ensure the targets are relevant and challenging. Commencing the financial year ending 31 January 2012 the structure of the executive STI plan provides a balance between cash payment and deferred equity reward. (Details of the STI plan are set out on page 14 of the Remuneration Report).

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

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2014								
01/02/12	31/01/13	$0.6003	611,210	–	611,210	–	–	–
01/02/12	31/01/14	$0.6003	611,210	–	–	–	611,210	611,210
01/03/13	31/01/14	$0.6742	396,382	–	–	–	396,382	396,382
01/03/13	31/01/15	$0.6742	396,382	–	–	–	396,382	–
01/02/14*	31/01/15	$0.5950	–	36,177	–	–	36,177	–
01/02/14*	31/01/16	$0.5950	–	36,176	–	–	36,176	–
Total			2,015,184	72,353	611,210	–	1,476,327	1,007,592

*Whilst the grant date is post year-end, the vesting period for these options commenced on 01/02/13.

28. Employee share plans and share based payments (continued)

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

*Whilst the grant date is post year-end, the vesting period for these options commenced on 01/02/12.

(b) Executive Loan Funded Share Plan

Commencing the financial year ending 31 January 2012 the Company implemented a loan funded share plan for executives and senior employees. Participants are provided an interest free limited recourse loan to purchase shares in the Company if pre-defined vesting conditions are met three years from grant date. (Details of the LTI plan are set out on page 15 of the Remuneration Report).

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

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2014								
28/06/11	20/06/16	$0.505	10,510,733	–	–	–	10,510,733	–
04/07/11	04/07/16	$0.540	1,639,925	–	–	–	1,639,925	–
01/02/12	31/01/17	$0.575	5,808,052	–	–	675,721	5,132,331	–
01/02/12	31/01/17	$0.540	3,784,034	–	–	–	3,784,034	–
01/02/13	31/01/18	$0.670	–	17,346,707	–	690,137	16,656,570	–
Total			21,742,744	17,346,707	–	1,365,858	37,723,593	–
2013								
28/06/11	20/06/16	$0.505	11,541,684	–	–	1,030,951	10,510,733	–
04/07/11	04/07/16	$0.540	1,639,925	–	–	–	1,639,925	–
01/02/12	31/01/17	$0.575	–	5,808,052	–	–	5,808,052	–
01/02/12	31/01/17	$0.540	–	3,784,034	–	–	3,784,034	–
Total			13,181,609	9,592,086	–	1,030,951	21,742,744	–

(c) Other Equity Plan

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

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

28. Employee share plans and share based payments (continued)

Set out below are summaries of performance rights granted:

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

(d) Fair value of options granted

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

The fair value produced by the model and the inputs into the model for the various share options granted and unexercised at the end of financial year are set out below:

	STI Plan Tranche 1 Granted 1 February 2013	STI Plan Tranche 2 Granted 1 February 2013	Loan funded shares Granted 1 February 2013	Loan funded shares Granted 1 February 2013
Fair value	$0.6233	$0.5799	ROIC Option $0.1363	TSR Option 0.0957
Inputs into the model:				
Grant date share price	$0.6700	$0.6700	$0.6700	$0.6700
Exercise price	$0.6742	$0.6742	$0.6700	$0.6700
Expected volatility	–	–	30%	30%
Vesting life	1 year	2 years	3 years	3 years
Option life	1 year	2 years	5 years	5 years
Expected dividend yield	7.5%	7.5%	7.5%	7.5%
Risk free interest rate	–	–	2.7%	2.7%

(e) Expenses arising from share-based payment transactions

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

	2014 $'000	2013 $'000
Options issued under executive STI plan	**304**	743
Shares issued under loan funded share plan	**1,612**	1,032
Options issued under sign on performance rights	**371**	636
Total	**2,287**	2,411

29. Credit facilities

	2014 $'000	2013 $'000
Credit standby arrangements		
Secured bank overdraft facilities	**4,000**	4,000
Amount of credit unused	**4,000**	4,000
Corporate credit card	**3,000**	3,000
Amount of credit unused	**2,770**	2,755
Waratah debtors securitisation facility available	**175,000**	125,000
Waratah debtors securitisation facility unused	**175,000**	95,000

30. Notes to the statement of cash flows

	2014 $'000	2013 $'000
(a) Reconciliation of cash and cash equivalents		
Cash at the end of the financial period as shown in the Statement of Cash Flow is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank and on hand	67,468	112,692
Cash and cash equivalents	67,468	112,692
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	53,536	18,686
Depreciation expense	5,810	5,230
Reversal of land and building impairment	(800)	–
Amortisation expense	1,270	435
Reversal of loan receivable provision	–	(758)
Write back of Derivative hedge reserve	(653)	(653)
Share-based payments expense	2,287	2,411
Profit on sale of property, plant and equipment	(10,973)	(7)
Change in assets and liabilities:		
Decrease/(Increase) in inventories	32,618	(40,793)
Decrease/(Increase) in net taxes receivable	8,574	(14,621)
Decrease/(Increase) in prepayments	135	(1,033)
Decrease/(Increase) in trade and other receivables	36,056	34,144
(Decrease)/Increase in trade creditors	(48,284)	64,221
(Decrease)/Increase in provisions	1,414	1,537
(Decrease)/Increase in other creditors and deferred income	(1,343)	(3,173)
Net cash flows from operating activities	79,647	65,626

31. Parent company financial information

(a) Summary financial information

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

	2014 $'000	2013 $'000
Statement of Financial Position		
Current assets	**27,488**	47,533
Total assets	**391,326**	428,532
Current liabilities	**37,581**	14,344
Total liabilities	**37,603**	26,215
Net assets	**353,723**	402,317
Equity		
Issued capital	**331,432**	363,841
Reserves – Share based payments	**7,489**	5,761
Accumulated profit	**14,802**	32,715
Total equity	**353,723**	402,317
Profit for the year	**27,834**	65,210
Total comprehensive income for the year	**27,834**	65,210

(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 $nil (2013: $30.0 million), secured by way of deed over certain Sigma accounts receivable under the Waratah facility.

In addition, there are cross guarantees given by the Company as described in Note 32. 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 26 for comment on contingent liability. The parent entity did not have any other contingent liabilities as at 31 January 2014. 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 2014 or 31 January 2013.

(e) Parent Company Investment in Subsidiary Companies

The carrying value of the parent's investment in subsidiaries as at 31 January 2014 was $363.5 million (2013: $363.5 million).

(f) Receivables from Controlled Entities

During the 2014 financial year, an impairment reversal of $4.3 million (2013: $4.6 million reversal) was recognised in the parent Company books in relation to an intercompany loan receivable. The parent loan receivable is not overdue and eliminates on consolidation.

32. 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 27 footnote (a) are relieved from the Corporations Act requirements for the preparation, audit and lodgement of financial reports. These entities which are also referred to in the Directors' Declaration are, together with the Company, all members of the 'Extended Closed Group' as defined under the Class Order and are parties to a Deed of Cross Guarantee dated 20 January 2006 which provides that the parties to the Deed will guarantee to each creditor payment in full of any debt of these entities on winding up of that entity.

A Consolidated Statement of Profit or Loss and other Comprehensive Income and Statement of Financial Position comprising the Company and those Australian controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 31 January 2014 are set out below:

	2014 $'000	2013 $'000
Sales Revenue	**2,973,466**	2,942,391
Cost of goods sold	**(2,756,581)**	(2,733,982)
Gross Profit	**216,885**	208,409
Other revenue and income	**51,224**	38,426
Warehousing and delivery expenses	**(102,267)**	(101,921)
Sales and marketing expenses	**(48,197)**	(33,476)
Administration and other expenses	**(37,169)**	(33,795)
Net litigation settlement expense	**(3,677)**	(48,004)
Acquisition expenses	**(662)**	–
Depreciation and amortisation	**(6,112)**	(5,512)
Plant rationalisation and restructuring costs	**–**	(1,276)
Profit before financing costs	**70,025**	22,851
Finance income	**2,446**	4,170
Financial expenses	**(4,429)**	(2,338)
Net financing (expense)/income	**(1,983)**	1,832
Profit before income tax	**68,042**	24,683
Income tax expense	**(14,418)**	(6,108)
Profit for the year	**53,624**	18,575
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of cash flow hedges	**(933)**	(933)
Income tax relating to components of other comprehensive income	**280**	280
Other comprehensive loss for the year, net of tax	**(653)**	(653)
Total comprehensive income for the year	**52,971**	17,922
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial period	**(736,245)**	(693,965)
Profit for the year	**53,624**	18,575
Dividends	**(45,728)**	(65,073)
Transfer from reserves to accumulated losses	**–**	4,218
Accumulated losses at the end of the financial period	**(728,349)**	(736,245)

32. Deed of cross guarantee (continued)

	2014 $'000	2013 $'000
Statement of Financial Position		
Current assets		
Cash and cash equivalents	66,762	112,209
Trade and other receivables	557,361	566,184
Current income tax receivable	5,301	13,848
Inventories	222,392	255,010
Derivative financial instruments	18	–
Prepayments	3,586	3,714
Total current assets	855,420	950,965
Non-current assets		
Trade and other receivables	6,605	9,903
Property, plant and equipment	52,887	73,556
Intangible assets	20,367	12,188
Net deferred tax assets	7,786	7,661
Total non-current assets	87,645	103,308
Total assets	943,065	1,054,273
Current liabilities		
Trade and other payables	338,228	384,400
Borrowings	–	30,000
Provisions	11,042	9,415
Deferred income	252	141
Total current liabilities	349,522	423,956
Non-current liabilities		
Provisions	1,794	2,007
Deferred income	188	222
Total non-current liabilities	1,982	2,229
Total liabilities	351,504	426,185
Net assets	591,561	628,088
Equity		
Contributed equity	1,294,414	1,349,780
Reserves	25,496	14,553
Accumulated losses	(728,349)	(736,245)
Total parent entity interest	591,561	628,088

33. 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.

The Group holds the following financial instruments:

	2014 $'000	2013 $'000
Financial Assets		
Cash and cash equivalents	67,468	112,692
Trade and other receivables	564,006	576,122
Derivatives	18	–
	631,492	688,814
Financial liabilities		
Trade and other payables	353,064	403,580
Borrowings	–	30,000
	353,064	433,580

(a) Market risk

(i) Foreign exchange risk

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

Foreign exchange risk arises from future anticipated commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

Only a minor portion of the Group's supply contracts are sourced from overseas entities and payable in the corresponding local currency. The major currencies were principally United States dollars, Euros and New Zealand dollars. In order to protect against exchange rate movements, during the year the Group entered into forward exchange contracts to purchase United States dollars. These contracts are hedging highly probable inventory purchases and are timed to mature when payments for the purchases are scheduled to be made. At balance date there was one contract for USD$0.232 million outstanding which will mature within six months of balance date.

(ii) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from borrowings under the Waratah facility (refer Note 16).

33. Financial instruments (continued)

The Group did not enter into any interest rate hedge contracts during the year ended 31 January 2014 as the Group's interest rate exposure was minimal.

(iii) Summarised Sensitivity Analysis

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

	31 January 2014				31 January 2013			
	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
Interest rate risk								
Financial assets								
Cash and cash equivalent	67,468	2.2%	(675)	675	112,692	3.5%	(1,127)	1,127
Accounts Receivable	521,932	–	–	–	556,844	–	–	–
Derivatives	18	–	–	–	–	–	–	–
Financial liabilities								
Trade Payables	(327,491)	–	–	–	(375,775)	–	–	–
Borrowings	–	4.5%	–	–	(30,000)	5.3%	300	(300)
Total increase/(decrease)			(675)	675			(827)	827

(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 24) given to certain parties. Such guarantees are only provided in exceptional circumstances and are approved by senior management.

(c) Liquidity risk

Liquidity risk management implies maintaining sufficient cash, marketable securities and access to cash via committed credit lines in order to meet commitments as and when they fall due. Group Treasury manages the surety and flexibility in funding by ensuring committed credit lines are available and managing cash and cash equivalents on the basis of expected cash flows.

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

The Group's current year and prior year financial liabilities are all current. The Waratah debt has been classified as current as the underlying financial instruments supporting back to back assets and loans have 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).

At balance date there was one level 1 contract for USD$0.232 million outstanding which will mature within six months of balance date.

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

Interest rate options include caps, floors and collars.

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

There are no interest rate derivatives instruments at balance date.

34. Events subsequent to reporting date

(a) Acquisition of Central Healthcare Pty Ltd

On 26 March 2014 Sigma Pharmaceuticals Limited announced that it had entered into an agreement to acquire 100% of the share capital of Central Healthcare Pty Ltd (Central Healthcare) from the former owners for $24,500,000 (cash), with the potential for a further earn out payment at 30 June 2015. The earn out payment is based upon the EBITDA performance of the business during the twelve months to 30 June 2015.

Central Healthcare is a wholesaler and distributor of pharmaceutical products to hospitals and retail pharmacies. Central Healthcare is an approved CSO distributor in Victoria, NSW, ACT and Queensland. Central Healthcare also owns and manages the Pharmasave retail brand. The acquisition of Central Healthcare provides the Group with an opportunity to diversify its service offering as well as providing the Group with additional flexibility to support and grow its existing operations. The acquisition has received clearance from the ACCC.

Central Healthcare and Sigma will continue to operate as stand-alone businesses. Central Healthcare has annual sales of approximately $200 million and is expected to initially generate approximately $3.5 million annual EBITDA. Acquisition costs of $0.662 million have been expensed during the period and shown separately in the Statement of profit or loss and other comprehensive income.

The fair value of all of the identifiable assets and liabilities of Central Healthcare, and other components of the initial acquisition accounting for the business combination, cannot be quantified, and have not been disclosed, due to the proximity of the acquisition date to the reporting date.

(b) Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked final dividend of 2.0 cents to be paid on 30 April 2014 to shareholders on the register at the ex-dividend date of 3 April 2014. The total amount payable for these dividends is $22,399,000.

Directors' Declaration

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

(a) the financial statements and notes, set out on pages 28 to 65, 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 2014 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 27 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 2014 pursuant to Section 295A of the *Corporations Act 2001*.

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

For and on behalf of the Board.

Mr Brian Jamieson	Mr Mark Hooper
Chairman	CEO & Managing Director

Melbourne
26 March 2014

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

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

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

Report on the Financial Report

We have audited the accompanying financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 January 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 65.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Deloitte

Auditor's Independence Declaration

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

Opinion

In our opinion:

(a) the financial report of Sigma Pharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2014 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 20 of the directors' report for the year ended 31 January 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Sigma Pharmaceuticals Limited for the year ended 31 January 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 26 March 2014

Shareholder Information

Equity Security Holders

As at 24 March, the Company has 1,119,954,243 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 24 March 2014 (as named on the register of shareholders):

	Ordinary Shares	
Name	Number Held	% of Issued Shares
HSBC Custody Nominees	181,021,834	16.16%
National Nominees Limited	169,134,521	15.10%
JP Morgan Nominees Australia	140,781,253	12.57%
Citicorp Nominees Pty Limited	99,908,422	8.92%
JP Morgan Nominees Australia Limited (Cash income account)	35,233,051	3.15%
BNP Paribas Noms Pty Ltd (DRP)	18,103,822	1.62%
HSBC Custody Nominees (Australia) Limited (NT-Comnwlth Super Corp A/C)	14,752,226	1.32%
Sigma Employee Share Admin P/L (Holding A/C)	11,672,077	1.04%
Aust Executor Trustees Ltd (Lanyon Aust Value Fund)	7,500,000	0.67%
QIC Limited	4,737,587	0.42%
Mark Robert Hooper	4,051,237	0.36%
Invia Custodian Pty Limited (Jellicoe Pty Ltd SF Pln A/C)	3,469,715	0.31%
AMP Life Limited	3,176,861	0.28%
RBC Investor Services Australia Nominees Pty Limited (Piselect)	2,999,972	0.27%
Invia Custodian Pty Limited (Jellicoe Pty Ltd EQF A/C)	2,823,763	0.25%
UBS Nominees Pty Ltd	2,314,318	0.21%
Nabru Nominees Pty Limited (Nabru Nominees P/L S/F A/C)	2,198,995	0.20%
Ticketyboom Pty Ltd (BVJS Family A/C)	2,191,424	0.20%
Mr John Ayres	2,000,000	0.18%
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	1,969,303	0.18%
Total Top 20 Holders	710,040,381	63.40%
Total Other Holders	409,913,862	36.60%
Grand Total	1,119,954,243	100.00%

Substantial shareholders

The following table shows the substantial holders in the Company as notified to the Company in substantial holding notices as at 24 March 2014:

Names	Noted Date of Change	Number of Equity Securities	Voting Power
Allan Gray Australia Pty Ltd	07/03/2014	150,164,976	13.41%
Vinva Investment Management	31/10/2013	96,133,319	8.54%
Paradice Investment Management Pty Ltd	13/03/2014	78,308,590	6.99%

Distribution of Equity Securities

HOLDINGS DISTRIBUTION	
Range	No of Holders
100,001 and Over	550
50,001 to 100,000	744
10,001 to 50,000	5,465
5,001 to 10,000	3,792
1,001 to 5,000	8,006
1 to 1,000	1,416
Total	19,973
Unmarketable Parcels	706

Voting rights

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

Ordinary Shares

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

Performance Rights

Performance Rights have been issued to employees as part of the Executive Short Term Incentive Plan in the financial years of 2013 and 2014.

- Number of employees participating: 2013 Plan:5, 2014 Plan:2
- Maximum number of ordinary shares which may be issued if the performance conditions are achieved: 468,735
- Participants do not have voting rights

Five year summary

	2010[1] ($m)	2011[1] ($m)	2012 ($m)	2013 ($m)	2014 ($m)
Operating results					
Sales revenue	3,220.4	3,339.6	2,853.9	2,942.4	2,973.5
EBITDA / (LBITDA)	(276.4)	(111.3)	74.7	28.8	76.6
EBIT / (LBIT)	(322.2)	(159.0)	69.2	23.1	70.3
Profit / (Loss) before tax	(394.3)	(237.7)	70.8	24.9	68.3
Profit / (Loss) after tax	(398.3)	(235.4)	49.2	18.7	53.5
Financial position					
Working capital	216.5	615.2	495.1	436.1	416.8
Fixed assets (incl intangibles)	1,113.6	67.6	83.2	87.8	75.4
Other assets & liabilities	(61.8)	(52.0)	(9.4)	4.2	19.1
Capital employed	1,268.3	630.8	568.9	528.1	511.3
Net debt / (Net Cash)	210.6	(202.1)	(113.6)	(82.7)	(67.5)
Net assets	1,057.7	832.9	682.5	610.8	578.8
Shareholder related					
Dividend					
- ordinary per share	3.0c	–	3.5c	4.0c	4.0c
- special per share	–	15.0c	1.5c	–	–
- total dividends ($m)	35.0	176.8	58.9	47.0	44.9
Earnings / (Loss) per share	(41.7c)	(20.2c)	4.2c	1.6c	4.9c
Dividend payout ratio	N/A	N/A	120%	251%	84%
Net tangible asset backing per share	14c	69c	57c	51c	50c
Market capitalisation (year-end) ($m)	1,102	524	707	773	672
Ratios & Returns					
EBIT margin[2]	-10.0%	-4.8%	2.4%	0.8%	2.4%
Gearing[3]	16.6%	N/A	N/A	N/A	N/A
Interest cover[4,5]	(3.8x)	(1.4x)	N/A	N/A	38.7x

1 Includes the Pharmacy Division results. This business was sold to Aspen in 2011.
2 EBIT/Sales Revenue.
3 Net Debt/Capital Employed (year end). Except for 31 January 2010 the Group had cash and cash equivalents over and above total debt.
4 Reported EBITDA/Net Financing Costs (times).
5 As at 31 January 2012 and 31 January 2013, the Group had positive Net financing income.

Contact

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

Corporate head office
3 Myer Place
Rowville Vic 3178 Australia
Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188

Directors and senior management
Refer to website:
www.sigmaco.com.au

Company secretary
Sue Morgan
3 Myer Place
Rowville Vic 3178 Australia

Investor relations
Email investor.relations@signet.com.au

Auditors
Deloitte Touche Tohmatsu

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

Offices – healthcare
3 Myer Place
Rowville Vic 3178 Australia
Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188

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

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

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

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

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

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

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

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

26 Wheeler Street
Belmont WA 6104 Australia
Tel +61 (0)8 9478 9700
Fax +61 (0)8 9478 9788

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

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

Recent dividends

Dividend	*Date Paid*	*Cents per share*
2014 Interim	23 Oct 2013	2.00
2013 Final	19 Apr 2013	2.00
2013 Interim	16 Oct 2012	2.00
2013 Special	27 Apr 2012	1.50
2012 Final	27 Apr 2012	2.00
2012 Interim	30 Nov 2011	1.50
2012 Special	11 May 2011	15.0

Shareholder calendar*

Full-year results	27 March 2014
Ex-dividend	3 April 2014
Record date	9 April 2014
Final dividend payment	30 April 2014
Annual General Meeting	7 May 2014
Half-year results	11 September 2014

* Dates may be subject to change

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Victoria 3178 Australia

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