ASX Listing Rule 4.3A

Sigma Pharmaceuticals Limited
ABN 15 088 417 403

Australian Stock Exchange Listing Rules Disclosure

Full Year Financial Report

For the financial year ended 31 January 2016

Contents

Sigma will host a presentation to analysts and media on Wednesday 23 March 2016 at 10.00 am with all presentation material posted to Sigma's website (www.sigmaco.com.au)

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ASX Listing Rule 4.3A

Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Full Year Financial Report

For the financial year ended 31 January 2016 compared to the prior year ended 31 January 2015

Results for Announcement to the Market

Provided below are the Results for Announcement to the Market in accordance with Australian Securities Exchange ('ASX') Listing Rule 4.2A and Appendix 4E for the Consolidated Entity comprising Sigma Pharmaceuticals Limited and its controlled entities for the year ended 31 January 2016 (the 'financial year') compared with the year ended 31 January 2015 ('comparative year').

Highlights

- Revenue up 10.2% to $3.5 billion
- Reported EBIT of $80.4m[1] and reported NPAT of $50.5m reflect the impact of the one off accounting adjustment arising from the outperformance of the CHS/DDS acquisition
- Underlying EBIT[2] up 13.7% to reach $89.1m with Underlying NPAT[2] up 11.6% to $59.2m
- Shareholders rewarded with the final dividend increased to 3.0 cents per share (fully franked)

Consolidated reported results

	31 January 2016 ($'000)	31 January 2015 ($'000)	Movement ($'000)	Movement percentage
Revenue from continuing operations	**3,461,104**	**3,142,126**	318,978*	10.2%
Profit after tax attributable to equity holders of Sigma Pharmaceuticals Limited	**50,502**	**52,773**	(2,271*)	(4.3%)
Net tangible assets per share	**$0.42**	**$0.43**	($0.01)	(2.3%)

*For an explanation of the movement refer to the Financial Performance section of the Directors' Report.

Dividends

Since the end of the financial year, the Board of Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2016. The ex-dividend date is 6 April 2016. The record date is 7 April 2016. The financial impact of these dividends amounting to $32.4 million has not been recognised in the Financial Statements for the year ended 31 January 2016 and will be recognised in subsequent Financial Statements.

The details in relation to dividends are set out below:

Record date	Date of payment	Cents per share	Franked cents per share at 30% tax rate	Total dividends $m
7 April 2016	21 April 2016	3.0	3.0	$32.4
25 September 2015	7 October 2015	2.0	2.0	$21.6
2 April 2015	16 April 2015	3.0**	3.0	$32.8

**a final dividend of 2.0 cents per share and a special dividend of 1.0 cent per share

[1]includes share of profit/(loss) of equity accounted investee, before tax of $0.3m

Sigma Pharmaceuticals Limited
ABN 15 088 417 403

[2]Reconciliation of Reported vs Underlying Earnings

$'000	31 January 2016	31 January 2015
Reported EBIT	80,071	78,055
Add : Share of profit/(loss) of equity accounted investees	300	(6)
Acquisition expenses	-	307
Loss on recognition of contingent consideration from prior year acquisitions	7,784	-
Amortisation of other intangibles acquired in acquisition	940	-
Underlying EBIT	**89,095**	78,356

Reported NPAT[3]	**50,502**	52,773
Add : Acquisition expenses	-	307
Loss on recognition of contingent consideration from prior year acquisitions	7,784	-
Amortisation of other intangibles acquired in acquisition	940	-
Underlying NPAT	**59,226**	53,080

[3] Profit attributable to the owners of the company

Shareholder's Calendar

Results announced	23 March 2016
Ex-dividend date	6 April 2016
Record Date	7 April 2016
Dividend payment date	21 April 2016
Annual General Meeting Melbourne	11.00 am 4 May 2016

NB - Dates are subject to change.

Stakeholder Queries

Share Registry Enquires:

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

Telephone (within Australia): 1300 139 653

E-mail: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Company Enquiries:

Mark Hooper
Managing Director

Jeff Sells
Chief Financial Officer

Gary Woodford
Manager Corporate Affairs

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Telephone: 03 9215 9215
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The Final Report and other company information can be found on Sigma's website at www.sigmaco.com.au

SIGMA PHARMACEUTICALS LIMITED ABN 15 088 417 403
Registered Office: 3 Myer Place, Rowville VIC 3178

FINANCIAL STATEMENTS

For the financial year ended

31 January 2016

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 2016.

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 – retired 9 December 2015
Ms K Spargo – appointed 9 December 2015
Company Secretary: Mr S Lawson – appointed 1 February 2016
Mr J Sells – appointed 30 October 2015 (interim appointment until 1 February 2016)
Ms S Morgan – resigned 30 October 2015

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	679,847	-
Mr M Hooper	3,429,742	29,637,359
Mr D Bayes	280,467	-
Mr R Gunston	164,719	-
Mr D Manuel	176,985	-
Ms K Spargo	1,501	-
Former Directors		
Ms L Nicholls, AO	586,112	-

Board and committee meeting attendance

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

Total Board meetings held during the year includes 8 monthly scheduled meetings and no ad-hoc meetings.

Risk Management and Audit Committee Members = Mr D Bayes, Mr R Gunston, Ms K Spargo (appointed: 9 December 2015) and Ms L Nicholls AO (retired: 9 December 2015)
Remuneration and Nominations Committee Members = Mr D Bayes, Mr R Gunston and Mr D Manuel

	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. attended (members only)**	**No. held during the term**	**No. attended (members only)**
Mr B Jamieson	8	8	-	-	-	-	-	-
Mr M Hooper	8	8	-	-	-	-	-	-
Mr D Bayes	8	8	-	-	4	4	6	6
Mr R Gunston	8	7	-	-	4	4	6	5
Mr D Manuel	8	8	-	-	-	-	6	6
Ms K Spargo	1	1	-	-	-	-	-	-
Former Directors								
Ms L Nicholls AO	8	7	-	-	4	3	-	-

Operating and Financial Review

Operations

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

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

Financial Performance

The consolidated profit attributable to shareholders was $50,502,000 compared to $52,773,000 for the prior year. The reported profit for the current year was impacted by a significant one-off item. The underlying profit before financing costs and tax (or EBIT), and profit after income tax (NPAT) is reconciled as follows:

$'000	2016	2015
Reported EBIT	**80,071**	**78,055**
Add back		
Share of profit/(loss) of equity accounted investee, before tax	300	(6)
Acquisition expenses	-	307
Loss on recognition of contingent consideration from prior year	7,784	-
Amortisation of other intangibles acquired in acquisition	940	-
Underlying EBIT	**89,095**	**78,356**

$'000	2016	2015
Reported NPAT[1]	**50,502**	**52,773**
Add back		
Acquisition expenses	-	307
Loss on recognition of contingent consideration from prior year	7,784	-
Amortisation of other intangibles acquired in acquisition	940	-
Underlying NPAT	**59,226**	**53,080**

[1] Profit attributable to the owners of the company

The Group's basic earnings per share is 5.0 cents. On the underlying basis, the basic earnings per share is 5.9 cents.

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

Sales revenue for the financial year of $3,461,104,000 was up 10.2% from $3,142,126,000 in the prior year, reflecting:
- an increase of 9.9% in volumes delivered from Sigma warehouses during the year;
- the full year inclusion of the CHS business, including the progressive migration to the Sigma Group of the PharmaSave and Chemist King wholesale business;
- the progressive migration of the DDS wholesale business to Sigma;
- the continued growth in OTC sales.

The Group continued a targeted program focussed on broadening its income base, this included achieving operational efficiencies and reducing customer discounts in order to help offset the impact of reduced prices flowing from the Pharmaceutical Benefits Scheme ("PBS") price reform for certain pharmaceutical products. In addition, progress during the year has been made in continuing to grow other revenue from investment in a number of service initiatives.

Financial Performance (continued)

Gross profit for the year of $260,463,000 was up 10.9% from $234,844,000 in the prior year. Operating margin was slightly improved, reaching 7.52% (from 7.47% the prior year).

Other revenue of $73,240,000 was up 39.9% from $52,369,000 in the prior year. The full year contribution of PharmaSave and DDS brand member fees along with continued improvement in merchandising and marketing performance from the Group's retail brand members were the major contributors to improved revenue during the year.

Warehousing and logistics expenses of $122,948,000 were up 10.0% from $111,734,000 in the prior year. The increase largely reflects the 9.9% increase in volumes delivered during the year, the full year inclusion of CHS, the impact of Enterprise Bargaining Agreements (EBA) and increased utility costs. Excluding CHS, warehousing and logistics costs were up 7.5%. Significant productivity improvements in the future to offset increases in volume and costs will be dependent on the investment in the Group's major distribution sites, which is currently underway.

Sales and Marketing expenses reached $61,147,000 for the year, up 33.1% from $45,931,000 in the prior year. The increase was partly due to the full year inclusion of Sales and Marketing expenses incurred in the CHS, PharmaSave and DDS businesses. There was also an increase in employment costs reflecting a new sales team structure implemented to support the expanded business.

Administration costs for the year were $51,786,000, up by 17.9% from $43,935,000 in the prior year. The increase resulted from the full year inclusion of administration costs associated with the running of the CHS and DDS businesses, along with increased employment costs relating to expanded business activities.

Net interest expense reached $3,480,000 for the year, up 41.5% from $2,459,000 for the prior year. The increase in net interest reflects the lower average net cash held throughout the current year as a result of the increased utilisation of cash through acquisitions and the ongoing on-market share buyback program.

Income tax expense of $26,386,000 was up 15.6% from $22,818,000 in the prior year. The increase reflects tax payable on improved profitability for the year from the existing business operations and the inclusion of CHS and DDS. A higher effective tax rate this year of 34.4% is the result of the non-deductible one-off earn-out accounting adjustment and intangible amortisation relating to the CHS acquisition. Excluding this one-off, the effective tax rate was 30.9%.

The Group consolidated net profit after tax (NPAT) was impacted by the one-off accounting adjustment of $8,724,000, which consisted of loss on recognition of contingent consideration from prior year acquisitions of $7,784,000 and amortisation of other intangibles associated with prior year acquisitions of $940,000. These adjustments are required as a result of the acquisition of CHS and DDS performing ahead of expectations.

Financial Position

The Group's net assets decreased by 3.4% to $553,654,000 from $573,001,000. The reduction largely reflects the on-market share buy-back program during the year.

Since the Company's on-market share buy-back program commenced in October 2012, $81,600,000 has been invested in purchasing and cancelling 111,935,506 shares (9.4% of the issued capital of the company). The weighted average cost per share over the life of the program is 72.91 cents per share. The total amount bought back includes 13,984,377 purchased in the 2016 financial year, costing $11,142,000 at a weighted average cost of 79.67 cents per share.

At 31 January 2016, the Group had net debt of $56,646,000.

The funding of the earn-out relating to the acquisition of CHS and DDS, and the on market share buy-back program, primarily came from existing financial resources including debt facilities. The Cash Conversion Cycle, being the net of Day Sales Outstanding, Days Inventory on Hand and Days Payable Outstanding, remained consistent at 51 days. This includes the consolidation of CHS and DDS. A continued focus on reducing average customer payment terms and maintaining an acceptable spread of Payables to Inventory days outstanding has been maintained during the year. A summary of the working capital performance and cash conversion cycle is as follows:

Financial Position (continued)

$'000	2016	2015
Trade Receivable	608,404	578,115
Inventories	288,626	251,385
Trade Creditors	(406,657)	(373,883)
Working Capital	**490,373**	**455,617**
Days Sales Outstanding	64	66
Days Inventory Outstanding	34	31
Days Payables Outstanding	47	46
Cash Conversion cycle days	**51**	**51**

The Group achieved an underlying Return on Invested Capital ("ROIC") for the current year of 14.6%, up on the 14.5% achieved for the prior year. Importantly, this ROIC has been achieved off a broader earnings base since the acquisition of CHS and DDS. A continued focus on working capital will be maintained, with further improvements expected in the coming year from a significant improvement in the DSO.

Likely developments and expected results of operations

The Group's vision is to be Australia's Partner of Choice for Health, Beauty, and Wellbeing. The Group's strategy is focussed on strengthening our pharmacy network, building wholesale and distribution partnerships and capability, and continuously pursuing innovations to stay ahead of industry changes. The Group's strategy involves reinvesting in the business to drive:

- improved operational efficiencies through investment in infrastructure, technology and human capital;
- an expanded product and service offering to consumers, leading to a decrease in dependency on PBS related earnings;
- partnerships with suppliers to drive market access to the Pharmacy retail channel and improve cost effectiveness through the supply chain.

The Group has embarked on a capital expenditure program that will see the upgrading of key distribution centres to drive further operational efficiencies and improve service delivery. Construction of a new distribution centre for CHS in Sydney has been completed and became operational in October 2015. Land has been acquired in Berrinba in South East Queensland to develop a new Brisbane distribution centre for Sigma. Construction contracts have been awarded, with works anticipated to commence in the first half of the 2017 financial year. Analysis is also well advanced in identifying operational needs in other jurisdictions.

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

The sixth Community Pharmacy Agreement (6CPA) was finalised between the Pharmacy Guild and the Federal Government during the current year. As part of this process, the Federal Government announced the commencement of a Review of Pharmacy Remuneration and Regulation to commence at the start of the 2016 calendar year with the aim of reporting to the Health Minister by March 2017. Whilst the outcome of this review will not be known during this current financial year, this review is important in assessing the structure and remuneration of the pharmacy industry long term, and Sigma will actively engage during this process.

Material Risks

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

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

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

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

The Federal Government Review of Pharmacy Remuneration and Regulation is expected to report to the Health Minister by March 2017. The terms of reference for this review are broad, and encompass:

- the appropriate level and structure of remuneration for community pharmacy for dispensing medicines under the PBS;
- the appropriate regulation of pharmacy and pharmacy distribution, including the role of the pharmacy location rules;
- the appropriate level and structure of remuneration for wholesalers and pharmacies for wholesaling, logistics and distribution of medicines;
- what regulatory arrangements are necessary to promote high standards of delivery and accountability amongst pharmacies, wholesalers, manufacturers and other entities;
- consumer experience, priorities, attitudes and expectations.

Whilst the outcome of this industry review will not be known during this current financial year, this review may have implications (positive or negative) for Sigma's business model long term. Sigma will actively engage during this process and continue to review and refine our business model to evolve and adapt to the prevailing industry framework.

In addition, the Company is a signatory to the Community Service Obligation deed ("CSO") which governs the basis under which the Group distributes medicines around Australia, in return for access to a pool of funding that subsidises the distribution of pharmaceuticals to rural and remote parts of Australia. Failure to meet the obligations under this deed or other State based legislation results in fines, or loss of license to distribute pharmaceuticals. The Group reports and reviews its compliance to regulations to ensure all obligations are met. The Group's operations are also subject to separate external audit by the CSO Agency. The existing CSO deed was amended and extended for 12 months to June 2016 pending finalisation of a new CSO deed tender process. The outcome of this tender process, and whether Sigma has been successful in being appointed as a CSO distributor, should be determined during the current financial year.

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
A new multi-year supply agreement was entered into with our major customer group, mitigating potential loss of major customers in the short term.

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

Environmental regulations

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

Dividends

A fully franked interim dividend of 2.0 cents, amounting to $21,618,000 was paid on 7 October 2015.

Since the end of the financial year, the Board of Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2016 to shareholders on the register at the ex-dividend date of 6 April 2016. The total amount payable is $32,383,000.

Events subsequent to the reporting date

(a) Renewal of a major customer contract
On 17 February 2016, the Group announced the finalisation of a long term supply contract with one of it major customers. The new agreement is in place until December 2018 and provides an option to exclusively negotiate an additional 3 year extension. The agreement also delivers further reduction in payment terms.

(b) Westpac receivables purchase agreement
The existing debtor securitisation facility of $250,000,000 was due to expire on 5 February 2016. On 22 February 2016, the Company has extended the facility to 6 February 2017. The debtor securitisation facility is $250,000,000 and is subject to the same terms and conditions.

Other than the matters discussed above, there has not been any other matter or circumstance that has arisen since 31 January 2016 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.

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.

Non-audit services

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

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

a) Limiting the scope and nature of non-audit services that may be provided; and
b) Requiring that permitted non-audit services must be pre-approved by the Chairman of the RMAC.

During the current year, the external auditor did not provide any non-audit services.

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 30.

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 13 to 29. Details of the remuneration paid to each Non-Executive Director, the CEO and Managing Director and other Senior Managers are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Directors' Report.

Rounding

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

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

Mr Brian Jamieson
Chairman
Melbourne
22 March 2016

Mr Mark Hooper
CEO and Managing Director

Remuneration Report 2015/16

Introduction

Dear Shareholder,

On behalf of the Board I am pleased to present Sigma's 2015/16 Remuneration Report (Report). The format of this year's Report remains largely consistent with last year following positive shareholder feedback on the clarity it provides in demonstrating the links between our strategy, our performance and executive remuneration outcomes.

As discussed in the Annual Review, a successful 2015/16 has seen underlying Earnings Before Interest and Tax (EBIT) increase to $89.1 million from $78.4 million in 2014/15. Against a backdrop of flat PBS, this is a strong performance that reflects our focus on revenue diversification, a sustained focus on costs and the ongoing returns from our reinvestment program.

Over the last five years Sigma's share price has increased from $0.43[1] to $0.82[2]. Absolute share price growth during this period equates to nearly 91% and coupled with fully franked dividend payments of 33 cents, Total Shareholder Return (TSR) is in excess of 167%.

Consistent with our commitment to ensuring remuneration is linked to Company performance; this year's actual incentive payments to our Executives reflect the strong Group performance outcomes. An overview of the key remuneration outcomes for the financial year is as follows:

- Based on the achievement of pre-defined performance targets, the CEO/Managing Director earned 97.5% and the other Executives earned an average of 86.25% of their maximum Short Term Incentive (STI) payment (set out on page 21)
- After testing the vesting conditions. 100% of the 2013 Long Term Incentive (LTI) vested on 31 January 2016 (set out on page 22)
- In accordance with strong Group performance as well as individual performance, CEO/Managing Director fixed remuneration was increased by 3% and the other Executive fixed remuneration was on average increased by 7.4% (set out on page 18). This is the first increase in Executive fixed remuneration in two years.
- Taking external market movements into account, Non-Executive Director remuneration was increased by 3% during 2015. This is the first increase in Non-Executive Director remuneration in two years.

In line with ASX Corporate Governance Principles and Recommendations, we have continued our Board review activities; including ensuring the Board contains an appropriate mix of skills and experience as well as assessing the independence of each Non-Executive Director. Further details regarding these activities are set out in the Corporate Governance Statement published on the Company website.

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

David Bayes
Chairman – People and Remuneration Committee

[1] Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 days up to and including 31 January 2011.

[2] Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 days up to and including 29 January 2016.

Remuneration Report

The Directors of Sigma Pharmaceuticals Limited (Company) are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 31 January 2016 (financial year). This Report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

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

Non-Executive Directors	
Mr B Jamieson	Chairman
Mr D Bayes	Non-Executive Director
Mr R Gunston	Non-Executive Director
Mr D Manuel	Non-Executive Director
Ms L Nicholls, AO	Non-Executive Director (retired 9 December 2015)
Ms K Spargo	Non-Executive Director (appointed 9 December 2015)
Executives	
Mr M Hooper	CEO/Managing Director
Mr G Dunne	Chief Operating Officer
Mr J Sells	Chief Financial Officer

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

Remuneration Governance

The Board is responsible for determining Non-Executive Director and senior executive remuneration. The People and Remuneration 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 Non-Executive Directors. For the financial year the Committee members were:

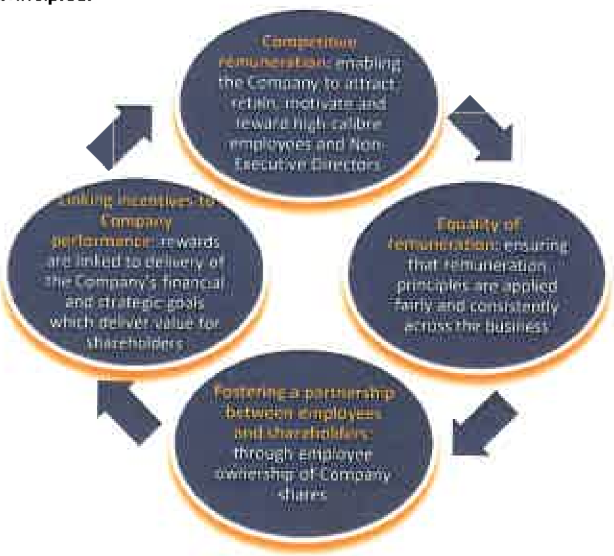
Name	Role
Mr D Bayes	Chairman
Mr R Gunston	Member
Mr D Manuel	Member

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. In order to ensure the Company's remuneration practices are consistent with the external market, benchmarking data was obtained for Non-Executive Director and Executive positions.

Remuneration Strategy and Principles

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



Non-Executive Director Remuneration

Remuneration for the Company's Non-Executive Directors reflects the size and complexity of the Company's operations as well as the responsibilities, accountabilities and time commitments of the Non-Executive Directors. It consists of base fees, committee fees and superannuation within the current maximum aggregate fee limit of $1.5 million, as approved by shareholders at the Company's 2015 Annual General Meeting.

Taking external market movements into consideration, Non-Executive Director base fees and committee fees were increased by 3% effective 1 May 2015. This is the first fee increase in two years. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were $1,024,875, as set out in Table 1 on page 24.

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

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

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

Role	Annual Fee Structure*	
	2015/16	2014/15
Chairman	$295,223	$286,624
Non-Executive Director	$111,405	$108,160
Risk Management and Audit Committee- Chair	$62,387	$60,570
People and Remuneration Committee- Chair	$37,877	$36,774
Risk Management and Audit Committee- Member	$31,194	$30,285
People and Remuneration Committee- Member	$18,939	$18,387

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

In January 2006, the Non-Executive Director's Retirement Benefit Plan (Plan) was discontinued. Benefits accrued under the Plan were calculated and, at the choice of the relevant Non-Executive Director, converted into Sigma shares or paid into the Non-Executive Director's superannuation fund. Upon retirement, Ms Nicholls AO elected to receive the full balance of the accumulated retirement benefits in cash. The table below sets out the final balance of accrued retirement benefits, including interest payment calculated based on the 90 day bank bill rate, for the period 1 February 2015 to 9 December 2015.

Non-Executive Director	Financial Year	Accumulated Retirement Benefits Balance on 1 February $	Interest Applied to Existing Retirement Benefits $	Average Interest Rate	Retirement Benefits Paid $	Accumulated Retirement Benefits Balance on 31 January $
Ms L Nicholls, AO	2015/16 (up to 9 December 2015)	194,650	3,917	2.32%	198,567	-
	2014/15	189,621	5,029	2.64%	-	194,650

Executive Remuneration

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

During the financial year, the People and Remuneration Committee conducted a review of the executive remuneration framework to ensure it remains relevant and market competitive. As part of this review it became apparent that the 2 year deferred equity component of the STI was duplicating aspects of the LTI, with the final deferred STI reward payable at the same time as the conclusion of the LTI performance period.

Following this review, the Board supported the recommendation from the People and Remuneration Committee to remove the deferred equity component of the STI plan effective from the 2015/16 financial year. The Board is confident that the removal of STI deferral:

- Will strengthen the link between pay and performance by aligning performance period and incentive payment under the STI plan
- Ensures appropriate differentiation exists between the STI and LTI Plans, particularly in respect to the timing of rewards and the method of delivering rewards
- Is consistent with the approach taken by other companies using a loan funded LTI plan, thus strengthening the market competitiveness of the executive remuneration framework

Due to the leveraged design of the LTI plan, the Board is satisfied that the removal of the STI deferral will not materially impact executive shareholdings nor will it adversely impact executive retention or sustained company performance.

Fixed Remuneration

+

Delivery mechanism

- 100% cash payment consisting of base salary and statutory superannuation contributions

Considerations

- Scope and complexity of the role
- Experience and performance of the individual executive
- Internal and external benchmarking

Strategic objectives

- Set to attract, retain and motivate the right talent to deliver our strategic objectives
- Typically set at the median of the external market, allowing scope for progressive increases based on proven performance in the role

At-Risk Remuneration

Short Term Incentive (STI)

+

Delivery mechanism

- 100% cash payment

Performance measures

Net Profit After Tax (NPAT) hurdle

- Minimum performance level must be achieved to trigger any STI payments (excluding KPIs relating to safety)

Financial measures

- 50% of available STI split evenly across Net Profit After Tax (NPAT) and Return On Invested Capital (ROIC)
- Budgeted target must be achieved for minimum payment and above budget stretch targets must be achieved for full payment

Non-financial measures

- 50% of available STI is aligned to the achievement of non-financial goals that drive the strategic objectives of the Company

Strategic objectives

- NPAT hurdle ensures a minimum acceptable level of profit before executives receive any STI reward
- Performance conditions designed to support the financial and strategic objectives of the Company and shareholder return
- Non-financial measures aligned to core values and key strategic and growth objectives
- Stretch targets must be achieved to obtain maximum STI available, encouraging a high performance culture
- Outcomes are subject to external audit to maintain integrity of the reward

At-Risk Remuneration

Long Term Incentive (LTI)

=

Delivery mechanism

- 100% delivered via shares in the Company- allocated upfront pursuant to Company loan
- 3 year performance period subject to service and forfeiture conditions

Performance measures

Absolute TSR

- 50% of available LTI is measured against absolute Total Shareholder Return (TSR)
- Vesting of the shares aligned to TSR will occur when an absolute TSR of 50% is achieved during the performance period

ROIC

- 50% of available LTI is measured against ROIC
- Vesting of the shares aligned to ROIC will occur when an average ROIC of 15% is achieved during the performance period

Strategic objectives

- Allocation of shares upfront aligns the interests of executives with shareholders from date of grant
- Designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value
- Key benefits to participants under the plan include capital appreciation (consistent with shareholder interests) and favourable taxation treatment (capital gains tax)
- Outcomes are subject to external audit to maintain integrity of the reward

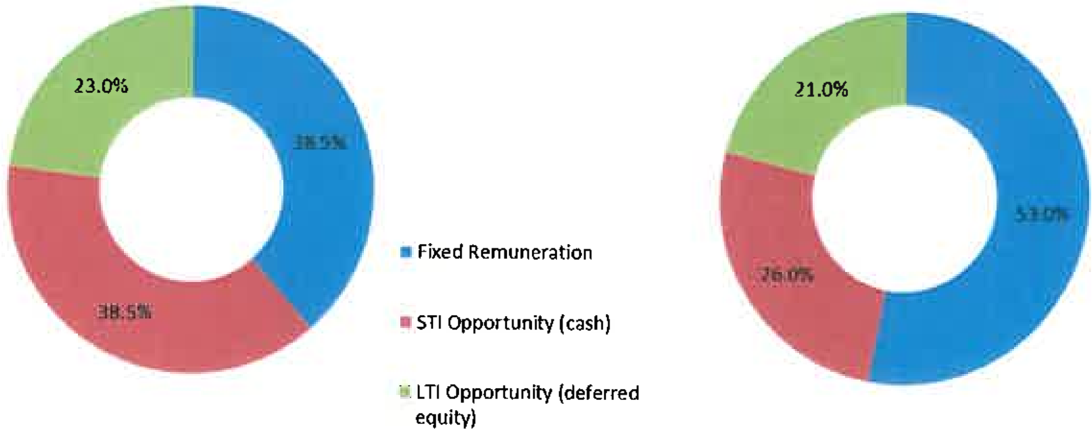
Total Reward

Strategic objectives

- Attract, retain and motivate suitably qualified and experienced executives
- Encourage a strong focus on performance
- Support the delivery of outstanding results for the Group over the short and long term
- Align executive and shareholder interests through share ownership

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

CEO/Managing Director | **Other Executives**



Fixed Remuneration

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

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

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

In line with market movement, business and individual performance, the Board determined to award a 3% increase to the CEO/Managing Director's fixed remuneration and an average of 7.4% increase to the other Executives, effective 1 May 2015. This is the first increase in Executive fixed remuneration in two years.

Short Term Incentive

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

Component	Commentary
Maximum STI Reward Value	100% of fixed remuneration for the CEO/Managing Director. 50% of fixed remuneration for other Executives.
Hurdle Requirement	An NPAT hurdle must be achieved to trigger any STI payment opportunity. The NPAT hurdle is determined by the Board prior to the commencement of the financial year, taking into account the NPAT result for the concluding financial year and the budgeted NPAT target for the new financial year. The hurdle excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board. NPAT was selected as an appropriate hurdle as it is the best overall measure of Company performance, is reflective of the generation of shareholder value, and is a measure readily recognised by and reported to shareholders. In recognition of the importance of workplace safety, KPIs relating to safety are excluded from this hurdle requirement, are separately established and payable upon achievement.
Performance Measures **Financial**	50% of maximum STI reward relate to Group financial measures, specifically 25% each is weighted against ROIC and NPAT. As a minimum budgeted ROIC and NPAT must be achieved for partial payment, and above budget stretch targets must be achieved for full payment under these financial KPIs. ROIC was selected as an appropriate performance measure as it captures both profitability and effectiveness of capital management, which are both important measures for shareholders. NPAT was selected as an appropriate performance measure as it assesses overall Company performance and the generation of shareholder value. Group financial calculations under the STI plan exclude significant uncontrollable or one-off events, and the initial impacts from business development initiatives, as approved by the Board.

Performance Measures **Non-financial**	50% of maximum STI reward relate to non-financial measures, specifically: CEO/Managing Director - business performance, business development and safety. Other Executives - financial and operational performance, continuous improvement, delivery of key strategic programs, operational cost/efficiency and safety. Each non-financial measure is selected based on its alignment with key strategic initiatives that lead to increased shareholder value.
Governance	All performance measures under the STI are clearly defined and measurable. The Board, on recommendation from the People and Remuneration Committee, approves the targets and assesses the performance outcome of the CEO/Managing Director. The CEO/Managing Director sets the targets and assesses the performance of other Executives. The Board, on recommendation from the People and Remuneration Committee, approves STI payments for the CEO/Managing Director and other Executives. Under the STI plan, the Board has discretion to adjust STI outcomes based on the achievements which are consistent with the Group's strategic priorities and in the opinion of the Board enhance shareholder value.
Reward Mechanism	100% of awarded STI is paid in cash upon Board approval of the audited year-end accounts. There will be no change to unvested deferred equity granted from prior year STI rewards, which will continue to vest subject to service and forfeiture conditions. Refer to table 3 on page 26 for further details.
Financial Year Outcome	The NPAT result exceeded the hurdle requirement for STI payment for the 2015/16 financial year. Refer to page 21 for further details.

Long Term Incentive

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

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

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

Component	Commentary
Maximum LTI Reward Value	60% of fixed remuneration for the CEO/Managing Director. 40% of fixed remuneration for other Executives.
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 69% of ASX200 companies had a vesting period of three years or less for their LTI plans during the 2015 financial year.
Delivery Mechanism	Loan Funded Shares Executives are provided with an interest free limited recourse loan to fund the acquisition of shares in the Company. The loan period is 5 years and runs concurrently with the 3 year performance period, thus providing a further 2 year exercise period beyond the conclusion of the performance period, subject to the vesting conditions being met. The Executives may choose to repay the outstanding loan associated with any vested shares prior to its expiry. The number of shares acquired is equal to the maximum LTI reward value divided by the fair value (calculated using a Black-Scholes options pricing model). The loan value is equal to the number of shares multiplied by the issue price (market price on grant date).

	The Executives holding loan funded shares have certain rights equal to all other ordinary shareholders, such as voting rights, access to dividends, capital distribution and bonus shares during the loan period. The value of post-tax dividends is applied to repay the outstanding loan. At the expiration of the loan period, the amount to be repaid is the lower of: • the outstanding loan less any repayments, and • the market value of the vested shares. The shares allocated to Executives for the 2015 LTI plan were purchased on market.
Vesting Conditions	50% of shares will vest if the absolute Total Shareholder Return (TSR) vesting condition is achieved: • Absolute TSR of 50% or higher during the performance period Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits) / Sigma share price at the start of the performance period Absolute TSR was selected as an appropriate vesting condition as it measures the level of return to shareholders, taking into account share price growth and dividend payments including the value of any franking credits. In addition, the use of Absolute TSR is not limited by the challenges associated with selecting a fair and appropriate comparator group given the size of the industry in which the Company operates. The use of Absolute TSR also avoids scenarios of windfall gains or losses to the Executives that can occur under certain circumstances within a comparator group. The Company is confident in its ability to set an Absolute TSR target at a level that benefits both the Executives and shareholders. The remaining 50% of shares will vest if the average pre-tax ROIC vesting condition is achieved: • Average pre-tax ROIC of 15% or higher during the performance period (15% for the 2014 LTI plan and 14% for the 2013 LTI plan) Pre-tax ROIC = EBIT / (Total Shareholder Funds + Net Debt) The ROIC vesting condition excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board. ROIC was selected as an appropriate vesting condition as it measures capital management effectiveness, including outcomes of multi-year investment decisions.
Re-testing	No re-testing applies- shares that do not vest after testing lapse.
Exercise Price	Issue price (market price on grant date).
Disposal Restrictions	Dealing, transferring or disposing of shares is prohibited until the end of the vesting period; and the loan has been repaid or appropriate arrangements for repayment of the loan have been approved by the Company.
Forfeiture Conditions	In the event of resignation, unvested shares are typically forfeited (subject to Board discretion) and vested shares are retained, subject to repayment of the outstanding loan. In the event of summary dismissal, unvested shares are forfeited as are any vested shares that remain subject to an outstanding loan balance. In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.
Governance	All performance measures under the LTI are clearly defined and measurable. The Board, on recommendation from the People and Remuneration Committee, approves the targets and assesses the performance outcome of each LTI plan. The Board, on recommendation from the People and Remuneration Committee, approves LTI vesting for each plan. Confirmation of vesting only occurs once the audited year-end accounts have been approved by the Board. Under the LTI plan, the Board has discretion to adjust LTI outcomes based on the achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value.
Financial Year Outcomes	After testing the vesting conditions, 100% of the 2013 LTI loan funded shares vested on 31 January 2016. Refer to page 22 for further details.

Table 3 on page 26 and Table 4 on page 27 set out the movements of performance rights and loan funded shares during the financial year.

Linking Executive Remuneration and Performance

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

12 months ended 31 January	Financial Year 2015/16	2014/15	2013/14	2012/13	2011/12
Share price ($)[1]	0.819	0.765	0.629	0.692	0.570
Dividends paid in the financial year (cps)	5.0	2.0[2]	4.0	5.5	16.5[3]
TSR[4]	16.4%	26.2%	(0.8%)	35.2%	86.3%
Pre-tax ROIC[5]	14.8%[10]	15.6%[8]	14.6%[7]	13.5%[6]	12.4%
EBIT ($m)	89.1[11]	78.4[9]	74.7[7]	71.1[6]	69.2
NPAT ($m)	59.2[11]	53.0[9]	56.8[7]	52.3[6]	49.2

1 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.
2 An interim dividend was not paid during the 2014/15 financial year due to insufficient franking credits.
3 Dividends paid in the financial year include a special dividend of 15 cents per share.
4 TSR = (share price appreciation + dividends + value of franking credits) / Sigma share price at the start of financial year.
5 Pre-tax ROIC = EBIT / (Total Shareholder Funds + Net Debt).
6 Excludes the impact of the 2012 class action settlement to earnings.
7 Excludes the impact of the 2013 litigation settlement to Vifor (International) Limited and acquisition costs.
8 Excludes acquisition costs and related earnings.
9 Excludes acquisition costs.
10 Adjusted for capital investment on new distribution centre, acquisition earn out costs and share of equity accounted investees.
11 Adjusted for acquisition earn out costs and share of equity accounted investees.

Company Performance and STI Outcomes

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

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

Financial performance during the current year exceeded our expectations. The NPAT result exceeded the NPAT hurdle requirement for STI payment for the 2015/16 financial year. Furthermore, the NPAT and ROIC Financial KPIs were achieved at the stretch level.

The total STIs awarded to the Executives for the financial year were $1,686,127, representing an average of 90% of their maximum STI opportunity. The table below shows the STI payments to each Executive for the current and preceding financial years, as approved by the Board:

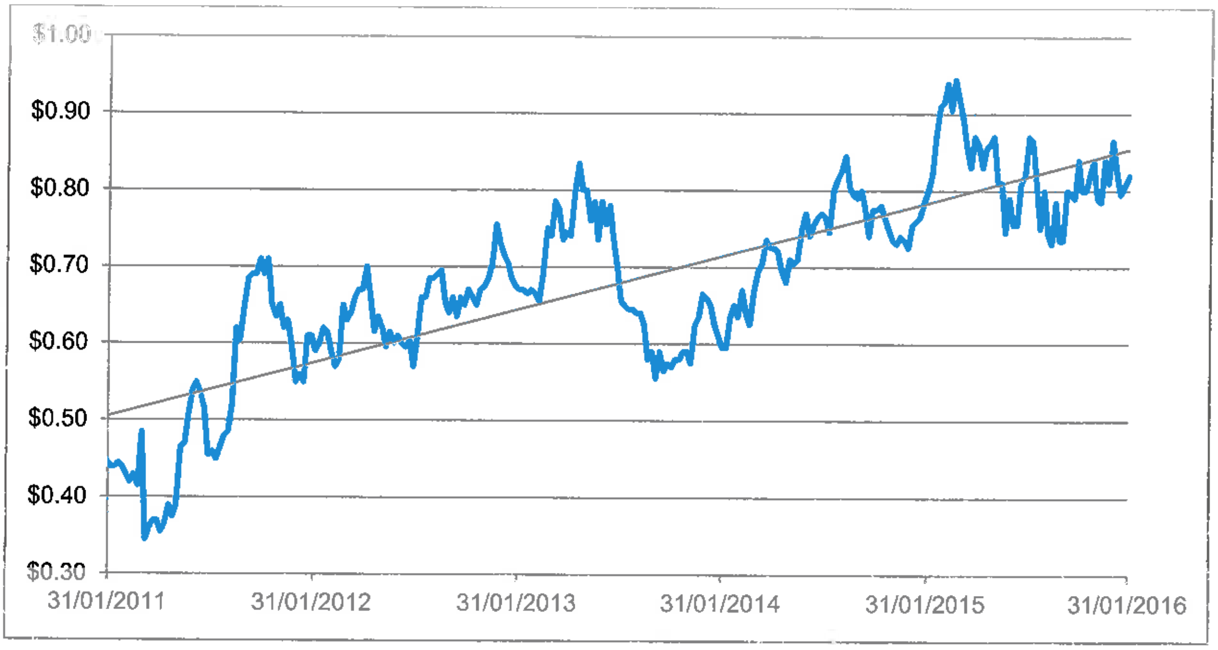
Executives	Maximum STI Opportunity as % of Fixed Remuneration	2015/16 % STI Forfeited	2015/16 % STI Paid	2015/16 STI Payment $	2014/15 % STI Forfeited	2014/15 % STI Paid	2014/15 STI Cash Payment $	2014/15 STI Deferred Equity $[1]
Mr M Hooper	100%	2.50%	97.50%	1,186,127	20.00%	80.00%	566,931	377,954
Mr G Dunne	50%	7.50%	42.50%	255,000	10.00%	40.00%	134,400	89,600
Mr J Sells	50%	6.25%	43.75%	245,000	11.87%	38.13%	118,950	79,300
TOTAL				**1,686,127**			**820,281**	**546,854**

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

Company Performance and LTI Outcomes

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

The following graph depicts the improvements to the Company's share price since the introduction of the Loan Funded Share Plan (LTI) in 2011. Absolute share price growth during this period equates to 91% and coupled with fully franked dividend payments of 33 cents, this represents a strong return for shareholders.



2013 long term incentive plan

Under the 2013 LTI loan funded share plan, the Company is required to achieve an average pre-tax ROIC of 14% and an Absolute TSR of 50% or higher during the three year performance period for full vesting to occur. The Board retains discretion to adjust the basis for determining LTI outcomes based on achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value. 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 2013 to 31 January 2016	Average pre-tax ROIC	14% or higher	15%	50%	0%
	Absolute TSR	50% or higher	50%	50%	0%

Upon vesting, the loan funded shares will continue to be subject to forfeiture conditions as described on page 20. Executives may elect to exercise the vested shares within a two-year period at the pre-determined exercise price as set out in the table below.

Executives	Lapsed	Vested and Exercisable	Exercise Date	Exercise Price $	Expiry Date
Mr M Hooper	-	6,623,452	1 February 2016	0.6700	31 January 2018
Mr G Dunne	-	2,041,251	1 February 2016	0.6700	31 January 2018
Mr J Sells	-	1,928,982	1 February 2016	0.6700	31 January 2018

Table 4 on page 27 sets out the details of the 2013 LTI plan vested to the Executives.

Other Remuneration Disclosures

Equity Restrictions

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

Clawback Arrangements

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

Employee Share Plan

To align their interests with those of the shareholders, employees of the Sigma Group at all levels of the organisation are encouraged to hold shares in the Company. As a result of the Employee Share Plan, Sigma is pleased to report that approximately 63% of all employees are also shareholders of the Company.

During the financial year the Company offered all eligible employees the opportunity to acquire shares in the Company on a 10 year interest free limited recourse loan. The value of any dividend paid and employee contributions are applied to repay the outstanding loan, which can be extinguished prior to its expiration, subject to a 3 year disposal restriction period. The amount to be repaid is the lower of the outstanding loan less any repayments and the market value of the shares.

A total of 466 acceptances were received resulting in 3,835,000 shares being allocated, all of which were acquired on market.

Loans to Executives

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

Transactions with Directors

Mr David 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 2016 was $4,848,220 (2015 $4,857,124). The amounts receivable at balance date from Mr David Manuel and his Director-related entities included within trade debtors in Note 9 was $577,195 (2015 $382,475). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

Other transactions entered into by the Company and the Group with Directors and their Director-related entities are within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

Service Agreements

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

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

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

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

TABLE 1: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2015/16

	Short Term Benefits					Post-employment Benefits						Value in Share-Based Plans			
	Salary and Base Fees[2]	Committee Fees	Cash Short-term Incentive[3]	Sign On Cash Payments	Non-Monetary Benefits[4]	Superannuation Benefits	Increase in Retirement Benefits[5]	Retirement Benefits Paid	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]
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	%
NON-EXECUTIVE DIRECTORS															
Mr B Jamieson	301,826	n/a	n/a	n/a	3,363	19,089	n/a	n/a	n/a	-	324,278	n/a	n/a	324,278	0
Mr D Bayes	110,594	68,568	n/a	n/a	3,363	17,020	n/a	n/a	n/a	-	199,545	n/a	n/a	199,545	0
Mr R Gunston	110,594	54,288	n/a	n/a	3,363	15,664	n/a	n/a	n/a	-	183,909	n/a	n/a	183,909	0
Mr D Manuel	110,594	18,801	n/a	n/a	3,363	12,293	n/a	n/a	n/a	-	145,051	n/a	n/a	145,051	0
Ms L Nicholls, AO (retired 9 December 2015)	95,025	53,214	n/a	n/a	2,875	14,083	3,917	198,567	n/a	-	367,681	n/a	n/a	367,681	0
Ms K Spargo (appointed 9 December 2015)	16,568	4,639	n/a	n/a	498	2,015	n/a	n/a	n/a	-	23,720	n/a	n/a	23,720	0
Subtotal for Non-Executive Directors	**745,201**	**199,510**	**n/a**	**n/a**	**16,825**	**80,164**	**3,917**	**198,567**	**n/a**	**-**	**1,244,184**	**N/A**	**N/A**	**1,244,184**	**0**
EXECUTIVES															
Mr M Hooper	1,241,059	n/a	1,186,127	n/a	3,363	19,089	n/a	n/a	33,360	-	2,482,998	153,138	822,818	3,458,954	28
Mr G Dunne	580,071	n/a	255,000	n/a	3,363	19,089	n/a	n/a	8,250	-	865,773	36,304	258,059	1,160,136	25
Mr J Sells	533,922	n/a	245,000	n/a	3,363	19,089	n/a	n/a	15,500	-	816,874	31,063	240,923	1,088,860	25
Subtotal for Executives	**2,355,052**	**n/a**	**1,686,127**	**n/a**	**10,089**	**57,267**	**n/a**	**n/a**	**57,110**	**-**	**4,165,645**	**220,505**	**1,321,800**	**5,707,950**	**27**
TOTAL	**3,100,253**	**199,510**	**1,686,127**	**n/a**	**26,914**	**137,431**	**3,917**	**198,567**	**57,110**	**-**	**5,409,829**	**220,505**	**1,321,800**	**6,952,134**	**22**

[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 16. For the Executives, includes base salary and amounts in respect to annual leave expense movement.
[3] Represents cash payments in respect to the 2015/16 STI plan.
[4] Includes amounts paid for Directors' and Officers' insurance.
[5] Interest on accrued retirement benefit as described on page 16.
[6] Represents amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2013/14 and 2014/15 STI Plan.
[7] The value of the loan funded shares determined using the Black-Scholes option pricing model is allocated evenly over the vesting period, therefore the amount disclosed above for the current year includes loan funded shares allocated in prior years.
[8] Includes amounts expensed in relation to STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

TABLE 2: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2014/15

	Short Term Benefits				Post-employment Benefits							Value in Share-Based Plans			
	Salary and Base Fees[2]	Committee Fees	Cash Short-term Incentive[3]	Sign On Cash Payments	Non-Monetary Benefits[4]	Superannuation Benefits	Increase in Retirement Benefits[5]	Retirement Benefits Paid	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]
	$	$	$	$	$	$	$	$	$	$	$	$	$	$	%
NON-EXECUTIVE DIRECTORS															
Mr B Jamieson	295,191	n/a	n/a	n/a	4,755	18,363	n/a	n/a	n/a	-	318,309	n/a	n/a	318,309	0%
Mr D Bayes	108,160	67,059	n/a	n/a	4,755	16,463	n/a	n/a	n/a	-	196,437	n/a	n/a	196,437	0%
Mr R Gunston	108,160	48,672	n/a	n/a	4,755	14,736	n/a	n/a	n/a	-	176,323	n/a	n/a	176,323	0%
Mr D Manuel	108,160	18,387	n/a	n/a	4,755	11,890	n/a	n/a	n/a	-	143,192	n/a	n/a	143,192	0%
Ms L Nicholls, AO	108,160	60,570	n/a	n/a	4,755	15,853	5,029	-	n/a	-	194,367	n/a	n/a	194,367	0%
Subtotal for Non-Executive Directors	**727,831**	**194,688**	**N/A**	**N/A**	**23,775**	**77,305**	**5,029**	-	**N/A**	-	**1,028,628**	**N/A**	**N/A**	**1,028,628**	**0%**
EXECUTIVES															
Mr M Hooper	1,162,562	n/a	566,931	n/a	4,755	18,363	n/a	n/a	16,618	-	1,769,229	207,688	849,955	2,826,872	37%
Mr G Dunne	546,543	n/a	134,400	n/a	4,755	18,363	n/a	n/a	5,577	-	709,638	49,337	242,231	1,001,206	29%
Mr J Selis	483,816	n/a	118,950	n/a	4,755	18,363	n/a	n/a	7,143	-	633,027	41,553	225,807	900,387	30%
Subtotal for Executives	**2,192,921**	**N/A**	**820,281**	**N/A**	**14,265**	**55,089**	**n/a**	n/a	**29,338**	-	**3,111,894**	**298,578**	**1,317,993**	**4,728,465**	**34%**
TOTAL	**2,920,752**	**194,688**	**820,281**	**N/A**	**38,040**	**132,394**	**5,029**	**N/A**	**29,338**	-	**4,140,522**	**298,578**	**1,317,993**	**5,757,093**	**28%**

[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 16. For the Executives, includes base salary and amounts in respect to annual leave expense movement.
[3] Represents cash payments in respect to the 2014/15 STI plan.
[4] Includes amounts paid for Directors' and Officers' insurance.
[5] Interest on accrued retirement benefit as described on page 16.
[6] Represents amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2012/13, 2013/14 and 2014/15 STI Plan.
[7] The value of the loan funded shares determined using the Black-Scholes option pricing model is allocated evenly over the vesting period, therefore the amount disclosed above for the current year includes loan funded shares allocated in prior years.
[8] Includes amounts expensed in relation to STI deferred equity and LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

TABLE 3: Performance rights: details of movement during the financial year 2015/16

Executive	Grant Date	Fair Value Per Right at Grant Date[1] $	Number of Shares Rights Issued	Fair Value of Rights at Grant Date $	Exercise Date[2]	Exercise Price	Balance of Share Rights at 01/02/15	Number of Share Rights Granted during the Year	Number of Share Rights Vested during the Year	Balance of Share Rights at 31/01/16
Mr M Hooper	01/02/2014	0.5221	29,244	15,268	31/01/2016	-	29,244	-	29,244	-
	01/02/2015	0.7620	237,677	181,110	31/01/2016	-	237,677	-	237,677	-
	01/02/2015	0.7257	237,677	172,482	31/01/2017	-	237,677	-	-	237,677
Mr G Dunne	01/02/2014	0.5221	6,932	3,619	31/01/2016	-	6,932	-	6,932	-
	01/02/2015	0.7620	56,346	42,936	31/01/2016	-	56,346	-	56,346	-
	01/02/2015	0.7257	56,345	40,890	31/01/2017	-	56,345	-	-	56,345
Mr J Sells	01/02/2015	0.7620	49,868	37,999	31/01/2016	-	49,868	-	49,868	-
	01/02/2015	0.7257	49,867	36,188	31/01/2017	-	49,867	-	-	49,867

[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 2015/16

Executive	Grant Date	Share Price at Grant $	Fair Value Per Share Grant Date[1] $	Exercise Price	Exercise Date[2]	Number of Loan Funded Shares						Loan Value and Balance[3]			
						Balance at 01/02/15[4]	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/16	Loan Value at Grant Date $	Loan Balance at 1/02/15 $	Loan Repayments During the Year[5] $	Loan Balance at 31/01/16 $
Mr M Hooper	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	5,372,395	-	-	-	-	5,372,395	2,713,059	2,179,273	195,709	1,983,564
	01/02/2012	0.5400	0.2003	0.5400	01/02/2015	3,784,034	-	-	-	-	3,784,034	2,043,378	1,812,011	137,847	1,674,164
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	6,623,452	-	6,623,452	-	-	6,623,452	4,437,713	4,133,981	241,283	3,892,698
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	6,848,292	-	-	-	-	6,848,292	4,074,734	3,970,053	249,474	3,720,579
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	-	6,478,476	-	-	-	6,478,476	5,182,781	5,182,781	236,002	4,946,779
Mr G Dunne	04/07/2011	0.5400	0.1319	0.5400	04/07/2014	-	-	-	-	-	-	-	-	-	-
	01/02/2012	0.5750	0.1417	0.5750	01/02/2015	1,155,078	-	-	-	1,155,078	-	664,170	562,647	562,647	-
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	2,041,251	-	2,041,251	-	-	2,041,251	1,367,638	1,274,032	74,360	1,199,672
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	2,164,661	-	-	-	-	2,164,661	1,287,973	1,254,885	78,856	1,176,029
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	-	2,047,766	-	-	-	2,047,766	1,638,213	1,638,213	74,597	1,563,616
Mr J Sells	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	1,549,729	-	-	-	-	1,549,729	782,613	628,637	56,454	572,183
	01/02/2012	0.5750	0.1417	0.5750	01/02/2015	1,091,548	-	-	-	-	1,091,548	627,640	531,701	39,764	491,937
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	1,928,982	-	1,928,982	-	-	1,928,982	1,292,418	1,203,960	70,270	1,133,690
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	2,010,042	-	-	-	-	2,010,042	1,195,975	1,165,250	73,223	1,092,027
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	-	1,901,497	-	-	-	1,901,497	1,521,198	1,521,198	69,269	1,451,929

[1] For accounting purposes, the fair value of the loan funded shares is calculated using the Black-Scholes option pricing model with Monte Carlo simulations.
[2] Loan funded shares will only vest after satisfying the specific vesting conditions and will expire at the end of the five year loan period subject to forfeiture conditions.
[3] Loan value and balance are rounded to the nearest whole number.
[4] Share allocation under the 2011 grant was satisfied through the issue of shares and previously forfeited shares held in trust. Share allocation under the 2012 grant was satisfied through the issue of shares. Share allocation under the 2013 grant was satisfied through an on-market share acquisition. Share allocation under the 2014 grant was satisfied through an on-market share acquisition and previously forfeited shares held in trust. Share allocation under the 2015 grant was satisfied through an on-market share acquisition.
[5] The loan repayments represent the value of post-tax dividends paid during the 2015/2016 financial year that was applied to the outstanding loan balances, as well as any loan repayments made by the Executive.

TABLE 5a: Share holdings of key management personnel

2016	Number of Shares at 01/02/2015	Number of Shares acquired through Share Plans during the year	Number of Shares purchased during the year	Number of Shares sold during the year	Other Changes	Number of shares at 31/01/2016
NON-EXECUTIVE DIRECTORS						
Mr B Jamieson	634,601	-	45,246	-	-	679,847
Mr D Bayes	252,808	-	27,659	-	-	280,467
Mr R Gunston	139,962	-	24,757	-	-	164,719
Mr D Manuel	157,009	-	19,976	-	-	176,985
Ms L Nicholls, AO (retired 9 December 2015)	561,123	-	24,989	-	-	586,112[1]
Ms K Spargo (appointed 9 December 2015)	-	-	1,501	-	-	1,501
Subtotal for Non-Executive Directors	**1,745,503**	-	**144,128**	-	-	**1,889,631**
EXECUTIVES						
Mr M Hooper	3,160,459	269,283	-	-	-	3,429,742
Mr G Dunne	400,000	1,219,440	-	1,569,440	-	50,000
Mr J Sells	1,408,757	54,270	-	-	-	1,463,027
Subtotal for Executives	**4,969,216**	**1,542,993**	-	**1,569,440**	-	**4,942,769**
TOTAL	**6,714,719**	**1,542,993**	**144,128**	**1,569,440**	-	**6,832,400**

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

[1] Number of shares as at date of retirement, 9 December 2015.

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

2016	Number of Rights/Options at 01/02/2015	Number of Rights/Options granted through Share Plans during the year	Number of Rights/Options Exercised during the year	Number of Rights/Options Lapsed during the year	Number of Rights/Options at 31/01/2016
NON-EXECUTIVE DIRECTORS					
Mr B Jamieson	n/a	n/a	n/a	n/a	n/a
Mr D Bayes	n/a	n/a	n/a	n/a	n/a
Mr R Gunston	n/a	n/a	n/a	n/a	n/a
Mr D Manuel	n/a	n/a	n/a	n/a	n/a
Ms L Nicholls, AO (retired 9 December 2015)	n/a	n/a	n/a	n/a	n/a
Ms K Spargo (appointed 9 December 2015)	n/a	n/a	n/a	n/a	n/a
Subtotal for Non-Executive Directors	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
EXECUTIVES					
Mr M Hooper	23,420,666	6,485,976	269,283	-	29,637,359
Mr G Dunne	5,558,333	2,055,266	1,219,440	-	6,394,159
Mr J Sells	6,752,918	1,908,997	54,270	-	8,607,645
Subtotal for Executives	**35,731,917**	**10,450,239**	**1,542,993**	**-**	**44,639,163**
TOTAL	**35,731,917**	**10,450,239**	**1,542,993**	**-**	**44,639,163**

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

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

22 March 2016

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 2016, 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
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 January 2016

	Notes	2016 $'000	2015 $'000
Sales revenue	4	**3,461,104**	3,142,126
Cost of goods sold		**(3,200,641)**	(2,907,282)
Gross profit		**260,463**	234,844
Other revenue and income	4	**73,240**	52,369
Warehousing and delivery expenses		**(122,948)**	(111,734)
Sales and marketing expenses		**(61,147)**	(45,931)
Administration expenses		**(51,786)**	(43,935)
Loss on recognition of contingent consideration from prior year acquisitions	23(a)	**(7,784)**	-
Depreciation and amortisation	5	**(9,027)**	(7,558)
Amortisation of other intangibles acquired in acquisition	5	**(940)**	-
Profit before financing costs (EBIT)		**80,071**	78,055
Financial income		**1,977**	1,519
Financial expense		**(5,457)**	(3,978)
Net financing expense		**(3,480)**	(2,459)
Share of profit/(loss) of equity accounted investee, net of tax	25	**210**	(6)
Profit before income tax		**76,801**	75,590
Income tax expense	6	**(26,386)**	(22,818)
Profit for the year		**50,415**	52,772
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of financial asset	18	**150**	-
Exchange differences on translation of foreign operations	18	**(41)**	83
Income tax relating to components of other comprehensive income	18	**(33)**	(25)
Other comprehensive income for the year, net of tax		**76**	58
Total comprehensive income for the year		**50,491**	52,830
Profit attributable to :			
Owners of the Company		**50,502**	52,773
Non-controlling interest	24	**(87)**	(1)
Profit for the year		**50,415**	52,772
Total comprehensive income attributable to :			
Owners of the Company		**50,578**	52,831
Non-controlling interest	24	**(87)**	(1)
Profit for the year		**50,491**	52,830

Earnings per share (EPS) for profit attributable to the ordinary equity holders of the company:	**Notes**	**2016 Cents**	2015 Cents
Basic EPS	8	**5.0**	5.1
Diluted EPS	8	**4.7**	4.8

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

Consolidated Statement of Financial Position

As at 31 January 2016

	Notes	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	31(a)	**17,407**	34,284
Trade and other receivables	9	**618,248**	589,957
Inventories	10	**288,626**	251,385
Prepayments		5,087	4,246
Total current assets		929,368	879,872
Non-current assets			
Trade and other receivables	9	**9,185**	4,738
Property, plant and equipment	11	**58,540**	57,716
Goodwill and other intangible assets	12	**101,538**	98,261
Other financial assets		**650**	-
Investments accounted for using the equity method	25	-	7,934
Net deferred tax assets	13	9,370	7,142
Total non-current assets		179,283	175,791
Total assets		1,108,651	1,055,663
Current liabilities			
Bank overdraft	31(a)	**73,014**	-
Trade and other payables	14	**446,112**	450,633
Borrowings	15	**11**	291
Income tax payable		**12,808**	12,682
Provisions	16	**14,350**	13,592
Deferred income		2,781	1,122
Total current liabilities		549,076	478,320
Non-current liabilities			
Other payables	14	**295**	-
Borrowings	15	**1,028**	339
Provisions	16	**3,989**	3,560
Deferred income		**609**	443
Total non-current liabilities		5,921	4,342
Total liabilities		554,997	482,662
Net assets		553,654	573,001
Equity			
Contributed equity	17	**1,238,394**	1,255,466
Reserves	18	**10,648**	20,386
Accumulated losses		**(696,890)**	(702,850)
Non-controlling interest	24	**1,502**	(1)
Total equity		553,654	573,001

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 2016

	Notes	Contributed equity Issued capital $'000	Treasury shares $'000	Reserves $'000	Accumulated losses $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 February 2014		**1,336,065**	**(41,651)**	**17,537**	**(733,122)**	**-**	**578,829**
Profit for the year		-	-	-	52,773	(1)	52,772
Other comprehensive income	18	-	-	58	-	-	58
Total comprehensive income for the year		**-**	**-**	**58**	**52,773**	**(1)**	**52,830**
Transactions with owners in their capacity as owners:							
Movements in:							
- Employee shares exercised	17	-	2,539	-	-	-	2,539
- Share-based remuneration plans	18	-	-	2,291	-	-	2,291
- Contributed equity	17	2,612	(2,612)	-	-	-	-
Share buy-back	17	(23,389)	(18,098)	-	-	-	(41,487)
Dividends paid	7/18	-	-	993	(22,501)	-	(21,508)
Dividends applied to equity compensation plan	18	-	-	(493)	-	-	(493)
		(20,777)	(18,171)	2,791	(22,501)	-	(58,658)
Balance at 31 January 2015		**1,315,288**	**(59,822)**	**20,386**	**(702,850)**	**(1)**	**573,001**
Profit for the year		-	-	-	50,502	(87)	50,415
Other comprehensive income	18	-	-	76	-	-	76
Total comprehensive income for the year		**-**	**-**	**76**	**50,502**	**(87)**	**50,491**
Transactions with owners in their capacity as owners:							
Movements in:							
- Employee shares exercised	17	-	2,959	-	-	-	2,959
- Share-based remuneration plans	18	-	-	2,313	-	-	2,313
Share buy-back	17	(11,142)	(13,722)	-	-	-	(24,864)
Dividends paid	7/18	-	-	2,903	(54,200)	-	(51,297)
Dividends applied to equity compensation plan	18	-	-	(539)	-	-	(539)
Reclassification of settled and expired share based transactions	17/18	-	4,833	(14,491)	9,658	-	-
Acquisition of subsidiary with non-controlling interests	24	-	-	-	-	1,590	1,590
		(11,142)	(5,930)	(9,814)	(44,542)	1,590	(69,838)
Balance at 31 January 2016		**1,304,146**	**(65,752)**	**10,648**	**(696,890)**	**1,502**	**553,654**

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

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

Consolidated Statement of Cash Flows

For the year ended 31 January 2016

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**3,841,276**	3,477,773
Payments to suppliers and employees		**(3,777,370)**	(3,410,428)
Interest received		**1,977**	1,519
Interest paid		**(5,263)**	(3,832)
Income taxes paid		**(28,469)**	(3,718)
Net cash inflow from operating activities	31(b)	**32,151**	61,314
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles	11,12	**(7,196)**	(10,232)
Acquisition of subsidiaries, net of cash acquired	23(f)	**(42,045)**	(41,921)
Payments to acquire financial assets		**(500)**	-
Net cash outflow on acquisition of associate	25	**-**	(7,940)
Proceeds from sale of property, plant and equipment		**105**	26,097
Net cash outflow from investing activities		**(49,636)**	(33,996)
Cash flows from financing activities			
Net repayment of borrowings		**(493)**	(217)
Payments for shares bought back	17(b)	**(11,142)**	(23,389)
Purchase of Sigma shares for employees		**(13,699)**	(18,098)
Proceeds from employee shares exercised	17(c)	**2,959**	2,539
Receipts from other loans receivable		**1,275**	164
Dividends paid	7	**(51,297)**	(21,508)
Net cash outflow from financing activities		**(72,397)**	(60,509)
Net decrease in cash and cash equivalents		**(89,882)**	(33,191)
Cash and cash equivalents held at the beginning of the financial period		**34,284**	67,468
Effects of exchange rate changes on cash and cash equivalents		**(9)**	7
Cash and cash equivalents at the end of the financial period	31(a)	**(55,607)**	34,284

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

Notes to the consolidated financial statements

For the year ended 31 January 2016

Contents

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

1. Basis of financial report preparation

(a) Reporting entity

Sigma Pharmaceuticals Limited (the "Company") is a company domiciled in Australia. This financial report was authorised for issue by the Directors on 22 March 2016.

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

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

(b) Statement of Compliance

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

Compliance with IFRS

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

(c) Basis of preparation

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

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

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

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

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

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

(d) Use of accounting estimates and judgements

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

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

Carrying value of inventory

The consolidated entity assesses whether inventory is recorded at the lower of cost and Net Realisable Value and ensures all obsolete or slow moving stock is appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific inventories and to the best of management's knowledge inventories have been correctly and fairly recorded as at 31 January 2016.

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 2016.

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

1. Basis of financial report preparation (continued)

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

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

For the Executive short term and long term incentive plans and Performance rights plan, the fair value of the performance share rights is determined using Black Scholes pricing model. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next reporting period but may impact the share based payment expense and equity.

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

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

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

Goodwill
During the prior year the Group acquired subsidiaries under an agreement that requires additional consideration to be paid to the previous owners based on the subsidiaries achieving defined profit performance in a future trading period. The goodwill calculation has involved estimates and assumptions around the determination of the subsidiary future trading performance and the resultant additional consideration to be paid. To the best of management's knowledge the goodwill and the contingent consideration are fairly recorded at period end. (Refer to Note 23).

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the estimation of future cash flows that are expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. (Refer to Note 12).

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

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.

(a) Basis of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sigma Pharmaceuticals Limited, being the parent entity as at 31 January 2016 and the results of all subsidiaries for the year then ended. Sigma Pharmaceuticals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including special purpose entities) over which the Group has control. Control is achieved when the Company:

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities are recognised and measured in accordance with AASB 112 'Income Taxes'.

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

(i) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and highly liquid investments and notes with maturity of three months or less when purchased.

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

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

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

(k) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the basis of weighted average cost.

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Obsolete and slow moving stocks are allowed for, to ensure the inventories are recorded at net realisable value where such value is below cost.

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

2. Summary of significant accounting policies (continued)

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

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

Buildings	40 years
Plant and Equipment	2 to 20 years

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

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

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

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

Software
Capitalised software are initially recorded at cost and amortised on a straight line basis over the estimated useful lives but not greater than a period of 7 years.

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

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(p) Trade payables
Liabilities are recognised for amounts to be paid in the future for goods or services provided prior to the end of the reporting period. Trade accounts payable are normally settled within 30- 60 days of the invoice date.

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

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs.

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

Long service leave
The provision for long service leave represents the present value of the estimated future cash outflows to be made by the consolidated entity resulting from employees services provided up to the reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted using the rates attaching to High quality Corporate bond (2014: National Government Bonds) at the reporting date which most closely match the terms of maturity of the related liabilities. The unwinding of the discount is treated as long service leave expenses.

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

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

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 29.

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. Dividends of forfeited shares are subsequently transferred back to retained earnings.

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (continued)

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

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

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

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

(x) Segments
AASB 8 Operating Segments requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Management has determined operating segments based on the structure of reports reviewed by the CEO and Managing Director, Chief Operating Officer and Chief Financial Officer (who collectively form the Chief Operating Decision Makers (CODM) of the Group).

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

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

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

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

(ab) Other financial asset
Listed shares held by the Group that are traded in an active market are classified as available for sale and are stated at fair value. Fair value is determined in the manner described in Note 34. Gains and losses arising from the changes in fair value are recognised in the other comprehensive income and accumulated in the fair value reserves, with the exception of impairment losses which are recognised in profit or loss.

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

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

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

2. Summary of significant accounting policies (continued)

(ad) New accounting standards and interpretations
In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for annual reporting periods beginning on 1 February 2015.

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

AASB 2014-1 Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles] (effective 1 February 2015)
The Annual Improvements 2010-2012 has made a number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.
- The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.
- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required

The Annual Improvements 2011-2013 has made a number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
    - the property meets the definition of investment property in terms of AASB 140; and
    - the transaction meets the definition of a business combination under AASB 3.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

2. Summary of significant accounting policies (continued)

Standards issued for not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forwards the guidance on recognition and de recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted	The Group is currently assessing the potential impact on its consolidated financial statement resulting from the application of IFRS 9
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive Framework for determining whether, how much, and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction contracts*, and IFRIC 13 *Customer Loyalty Programmes* IFRS 15 is effective for annual reporting period beginning on or after 1 January 2018 with early adoption permitted.	The Group is currently assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 15.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

Standard / Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	31 January 2017
Equity Method in Separate Financial Statements (Amendments to IAS 27);	1 January 2016	31 January 2017
Sale or Contribution of Assets between an Investor and its Associate or Joint venture (Amendments to IFRS 10 and IAS 28)	1 January 2016	31 January 2017
Annual improvements to IFRSs 2012-2014 Cycle-various standards	1 January 2016	31 January 2017
Disclosure Initiatives (Amendments to IAS 1)	1 January 2016	31 January 2017
Accounting for acquisition of interests in Joint operations-amendments	1 January 2016	31 January 2017
Withdrawal of AASB1031: Materiality Amendment	1 July 2015	31 January 2017

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

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

IFRSs and Interpretation	Effective for annual periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS16: Leases	1 January 2019	31 January 2020
Disclosures initiatives: (Amendments to IAS 7: Statement of Cash flows)	1 January 2017	31 January 2018
Recognition of Deferred tax assets for unrealised losses-amendment to IAS 12: Income taxes	1 January 2017	31 January 2018

3. Segment information

Information on segments

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

For the year ended 31 January 2016 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 aggregation criteria under AASB 8 – Operating segments has been applied to include the results of Central Healthcare Group and Discount Drugstores Pty Ltd within the Healthcare segment. Central Healthcare Group and Discount Drugstores Pty Ltd are separate cash generating units for impairment testing purposes.

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

Geographical segments
The Group operates predominantly within Australia.

Information on major customers
One customer group contributes revenues which forms 38% of the Group revenues. This customer has a long standing relationship with Sigma and the service contract expired in October 2015. Subsequent to 31 January 2016, the Group announced the finalisation of a new agreement which will be in place until December 2018 (See note 35). Sales revenue for the period to 31 January 2016 was $1,313.3 million (2015: $1,166.0 million).

4. Revenue and other income

	2016 $'000	2015 $'000
Sales revenue	3,461,104	3,142,126
Other revenue		
Commissions and fees	**10,323**	9,136
Membership revenue	**15,997**	12,914
Marketing services and promotional revenue	**37,461**	23,617
Rentals and other trading revenue	**9,466**	6,542
Total other revenue	73,247	52,209
Other Income		
(Loss)/profit on sale of property, plant and equipment	**(7)**	160
Total other revenue and other income	73,240	52,369

Notes to the consolidated financial statements continued
For the year ended 31 January 2016

5. Expenses

	2016 $'000	2015 $'000
Expenses before interest and income tax:		
Amortisation		
Brand names	**492**	461
Software	**3,060**	1,796
Total amortisation	3,552	2,257
Depreciation		
Buildings	**493**	500
Plant and equipment	**4,982**	4,801
Total depreciation	5,475	5,301
Amortisation of other intangibles acquired in acquisition	940	-
Total depreciation and amortisation	9,967	7,558
Write down of inventories to net realisable value	**3,303**	3,435
Net impairment loss on trade debtors	**765**	563
Employee benefits expense	**118,607**	97,391
Defined contribution plans	**7,499**	6,350
Employee share based payments expense	**2,313**	2,291
Directors' retirement provision	**4**	5
Rental expenses on operating leases	**9,205**	8,022

6. Income tax expense

	2016 $'000	2015 $'000
Profit before income tax	**76,801**	75,590
Prima facie income tax expense calculated at 30%	23,040	22,677
Tax effect of differential corporate rate	**(6)**	(6)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Other items	**3,692**	1,643
Effect of recoupment of capital losses not previously recorded	**(338)**	(135)
Amounts over provided in prior years	**(2)**	(1,361)
Income tax expense	**26,386**	22,818
Income tax expense comprises -		
Current expense	**28,264**	22,635
Deferred benefit	**(2,179)**	1,544
Adjustments for current income tax of prior periods	**301**	(1,361)
Income tax expense	**26,386**	22,818

Unrecognised deferred tax losses

Deferred tax assets have not been recognised in respect of capital losses of $216,824,000 tax effected (2015: $217,162,000 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.

7. Dividends

	2016 $'000	2015 $'000
Dividends recognised by the parent entity	**54,421**	22,501
Less: dividends paid on shares held by Sigma Employee Share Plan	**(221)**	-
	54,200	22,501
Less: dividends paid on shares issued under the Sigma Employee Share Plan	**(2,903)**	(993)
Dividends paid by the Group	51,297	21,508

	Cents per Share	Amount $'000	Date of payment	Tax rate for franking credit %	Percentage Franked %
2016					
Final dividend for the year ended 31 January 2015 - Ordinary shares paid in cash	**3.0**	**32,803**	**16 April 2015**	**30**	**100**
Interim dividend for the year ended 31 January 2016 - Ordinary shares paid in cash	**2.0**	**21,618**	**7 October 2015**	**30**	**100**
Total dividends recognised by the parent entity		54,421			
Less: dividends paid on shares held by Sigma Employee Share Plan		(221)			
Less: dividends paid on the shares under the Sigma Employee Share Plan		**(2,903)**			
Total dividends paid by the Group		51,297			
2015					
Final dividend for the year ended 31 January 2014 - Ordinary shares paid in cash	2.0	22,501	30 April 2014	30	100
Total dividends recognised by the parent entity		22,501			
Less: dividends paid on the shares held by Sigma Employee Share Plan		-			
Less: dividends paid on the shares under the Sigma Employee Share Plan		(993)			
Total dividends paid by the Group		21,508			

	2016 $'000	2015 $'000
Dividend franking account		
Amount of franking credits available for the subsequent year	5,183	317

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
(a) franking credits that will arise from the payment of the current tax liability,
(b) franking credits that may be prevented from being distributed in subsequent financial years, and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the end of the financial year.

Subsequent events
Since the end of the financial year, the Board of Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2016 to shareholders on the register at the ex-dividend date of 6 April 2016. The total amount payable is $32,383,000.

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

8. Earnings per share

	2016 Cents	2015 Cents
(a) Basic earnings per share	**5.0**	5.1
(b) Diluted earnings per share	**4.7**	4.8

	2016 $'000	2015 $'000
(c) Profit used in the calculation of basic and diluted EPS		
Net profit used in calculating basic and diluted EPS	**50,502**	52,773

(d) Weighted average number of shares used in the calculation of basic and diluted earnings per share	2016 No. '000s	2015 No. '000s
Shares on issue as at 1 February	**1,093,425**	1,119,954
Add: Effect of shares issued	-	4,294
Less: Effect of share buy-back	**(8,032)**	(17,038)
Less: Effect of shares held under the Equity Compensation Plan	**(82,782)**	(66,491)
Weighted average number of ordinary shares at 31 January used in calculation of basic earnings per share	**1,002,611**	1,040,719
Add: Effect of potential conversion to ordinary shares under executive rights/option schemes	**66,500**	44,626
Add : Effect of shares held under Sigma Employee Share Plan	**10,141**	5,479
Weighted average number of ordinary shares at 31 January used in calculation of diluted earnings per share	1,079,252	1,090,824

Performance Rights and Options

Full details of share rights and options are included in Note 29. The rights and options are considered dilutive and are included in the calculation of diluted earnings per share.

9. Trade and other receivables

	2016 $'000	2015 $'000
Current		
Trade debtors (a)	**604,259**	576,740
Provision for impairment of receivables (a)	**(5,040)**	(3,184)
	599,219	573,556
Other debtors	**19,029**	15,255
Other loan receivables	-	1,767
Provision for impairment of receivables	-	(621)
	-	1,146
Total current receivables	618,248	589,957
Non-current		
Trade debtors (a)	**9,185**	4,559
Other loan receivables	-	179
Total non-current receivables	9,185	4,738

(a) Trade debtors
Nearly all trade debtors are unsecured and the only collateral the Group retains in relation to these debts, is a standard retention of title clause. There are some circumstances where the Group will obtain additional security from its trade debtors as part of its normal credit risk management. In most cases the fair value of the retention of title approximates the carrying value of the trade debt.

Trade debtors have been utilised to secure a cash advance from the Westpac debtors securitisation facility of $73,014,000 at 31 January 2016 (2015: nil).

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

Impaired trade receivables
As at 31 January 2016, current trade receivables of the Group with a nominal value of $12,868,000 (2015: $3,607,000) were impaired. The amount of the provision was $5,040,000 (2015: $3,184,000). 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 2016.

The ageing of these impaired Group receivables is as follows:

	2016 $'000	2015 $'000
0 days to 90 days overdue	11,038	2,145
Over 90 days overdue	1,830	1,462
	12,868	3,607

As at 31 January 2016, trade receivables of $15,539,000 (2015: $12,599,000) were past due but not impaired. Of the $15,539,000 balance, $138,000 relates to the overdue but not impaired balance of the entities acquired during the reporting period. The Group has not recognised a provision for doubtful debts because these balances relate to a number of independent customers for whom there is no recent history of default and are still considered fully recoverable. The ageing analysis of these trade receivables is as follows:

	2016 $'000	2015 $'000
0 days to 30 days overdue	10,924	9,902
Over 30 days overdue	4,615	2,697
	15,539	12,599

9. Trade and other receivables (continued)

	2016 $'000	2015 $'000
Movements in the provision for impairment of receivables are as follows:		
At start of financial year	**3,184**	10,994
Provision raised during the year	**3,015**	1,397
Receivables written off during the year as uncollectible	**(1,159)**	(9,207)
At end of financial year	**5,040**	3,184

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

(b) Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the fair value of the receivables mentioned above. In most circumstances, the Group does not hold any collateral as security on trade debt, apart from a standard retention of title clause.

(c) Foreign exchange risk and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other receivables is provided in Note 34.

10. Inventories

	2016 $'000	2015 $'000
At Cost		
Finished goods	**294,488**	255,742
Provision for obsolescence	**(5,862)**	(4,357)
Net inventories	**288,626**	251,385

11. Property, plant and equipment

	Note	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 1 February 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
Year ended 31 January 2015				
Opening net book amount		20,149	32,738	52,887
Additions		7,402	2,729	10,131
Acquisition of subsidiaries	23(b)	-	1,076	1,076
Transfer of completed projects		49	(49)	-
Transfer of intangible software		-	(486)	(486)
Disposals		(464)	(127)	(591)
Depreciation	5	(500)	(4,801)	(5,301)
Closing net book amount		26,636	31,080	57,716
At 31 January 2015				
Cost		34,322	69,412	103,734
Accumulated depreciation		(7,686)	(38,332)	(46,018)
Net book amount		26,636	31,080	57,716
Year ended 31 January 2016				
Opening net book amount		**26,636**	**31,080**	**57,716**
Additions		**753**	**6,337**	**7,090**
Acquisition of subsidiaries	23(b)	**-**	**83**	**83**
Transfer of completed projects		**118**	**(118)**	**-**
Transfer of intangible software		**-**	**(762)**	**(762)**
Disposals		**-**	**(112)**	**(112)**
Depreciation	5	**(493)**	**(4,982)**	**(5,475)**
Closing net book amount		**27,014**	**31,526**	**58,540**
At 31 January 2016				
Cost		**35,193**	**74,374**	**109,567**
Accumulated depreciation		**(8,179)**	**(42,848)**	**(51,027)**
Net book amount		**27,014**	**31,526**	**58,540**

12. Goodwill and other intangible assets

	Note	Brand names $'000	Software $'000	Goodwill $'000	Other intangibles^ $'000	Total $'000
At 1 February 2014						
Cost		24,357	9,281	-	-	33,638
Accumulated amortisation		(10,264)	(821)	-	-	(11,085)
Net book amount		14,093	8,460	-	-	22,553
Year ended 31 January 2015						
Opening net book amount		14,093	8,460	-	-	22,553
Additions		12	89	-	-	101
Acquisition of subsidiaries	23(b),(c)	36	2,110	75,217	-	77,363
Transfer from property, plant and equipment		-	486	-	-	486
Foreign currency movements		15	-	-	-	15
Amortisation	5	(461)	(1,796)	-	-	(2,257)
Closing net book amount		13,695	9,349	75,217	-	98,261
Year ended 31 January 2015						
Cost		24,459	11,966	75,217	-	111,642
Accumulated amortisation		(10,764)	(2,617)	-	-	(13,381)
Net book amount		13,695	9,349	75,217	-	98,261
Year ended 31 January 2016						
Opening net book amount		**13,695**	**9,349**	**75,217**	-	**98,261**
Additions		-	**106**	-	-	**106**
Acquisition of subsidiaries	23(b),(c)	**5**	**820**	**6,157**	-	**6,982**
Transfer from goodwill to brand names and others		**1,258**	-	**(2,198)**	**940**	-
Transfer from property, plant and equipment		-	**762**	-	-	**762**
Foreign currency movements		**(81)**	-	-	-	**(81)**
Amortisation	5	**(492)**	**(3,060)**	-	**(940)**	**(4,492)**
Closing net book amount		**14,385**	**7,977**	**79,176**	-	**101,538**
Year ended 31 January 2016						
Cost		**25,535**	**13,654**	**79,176**	**940**	**119,305**
Accumulated amortisation		**(11,150)**	**(5,677)**	-	**(940)**	**(17,767)**
Net book amount		**14,385**	**7,977**	**79,176**	-	**101,538**

^Other Intangibles consist of customer relationships and supplier contracts

(a) Impairment of other 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.

Notes to the consolidated financial statements continued
For the year ended 31 January 2016

12. Goodwill and other intangible assets (continued)

(b) Allocation of Goodwill

The goodwill associated with Central Healthcare Group and Discount Drugstores Pty Ltd was provisionally determined as at 31 January 2015 and has been finalised as at 31 January 2016. There is a decrease of $2,198,000 in goodwill, mainly attributable to an increase in other intangibles of $2,198,000 after finalisation of the independent valuation of customer relationships, brands and supplier contracts.

For impairment testing purposes, the Group identifies its cash generating units (CGUs), which is the smallest identifiable group of assets that generate cash inflows largely independent of the cash inflows of other assets or other groups of assets. The Group's indefinite life intangible assets are allocated to the Groups of CGUs as follows:

Goodwill	2016 $'000	2015 $'000
Central Healthcare Group (CHS)	25,448	35,026
Discount Drugstores Pty Ltd (DDS)	19,544	40,191
Sigma	28,027	-
	73,019	75,217
NostraData*	6,157	-
	79,176	75,217

* The NostraData goodwill has been measured on a provisional basis (refer Note 23). At 31 January 2016, no valuation has been allocated to identifiable intangibles and the identification and valuation will be finalised over the coming months.

(c) Impairment testing of Goodwill

CHS/DDS/Sigma

Calculation Methodology

The recoverable amount of a CGU is determined based on value in use. Value in use is calculated using a discounted cash flow model covering a 5 year period with an appropriate terminal growth rate at the end of that period, for each CGU. The model utilises cash flow forecasts that are based primarily on the annual plan presented to and approved by the Board on 10 February 2016.

The key assumptions used for assessing the recoverable amount of the CGUs are set out below and are applied consistently across the 3 CGUs (CHS/DDS/Sigma):

	2016
Discount rate-pre tax	13.2%
EBIT growth rate (beyond approved annual plan)	3.5%
Terminal value growth rate	2.5%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Cash flow forecasts are based on each CGU's annual plan for the base year (2017) of the model. Cash flows for a further four years have been extrapolated using consistent principles from the year one annual plan. These annual plans have been presented to and approved by the Board.
- Terminal value is calculated using the Gordon growth rate model.
- Forecast growth rates are based on CPI adjusted for past performance and management's expectations for future performance in each CGU.

Management also believes that any reasonable possible change in the key assumptions would not cause the carrying amount of any of the cash generating units to exceed the recoverable amount.

NostraData

The NostraData Pty Ltd acquisition occurred on 12 November 2015. The transaction was completed on an arm's length basis and NostraData Pty Ltd is currently performing in line with expectation, therefore it has been determined that the acquisition value is a reliable estimation of fair value less cost to sell at 31 January 2016.

13. Net deferred tax assets

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

2016	Balance 1 February 2015	Recognised in income	Acquisitions	Recognised in equity	Balance 31 January 2016
	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	1,816	119	-	-	1,935
Inventories	1,600	158	-	-	1,758
Trade and other accruals	3,043	848	44	-	3,935
Provisions for employee benefits	5,143	316	38	-	5,497
Other	147	(47)	-	(45)	55
Intangibles	(565)	52	-	12	(501)
Property, plant and equipment	(4,042)	733	-	-	(3,309)
Net deferred tax assets	7,142	2,179	82	(33)	9,370
Deferred tax assets	12,163	1,158	82	(45)	13,358
Deferred tax liabilities	(5,021)	1,021	-	12	(3,988)
Net deferred tax assets	7,142	2,179	82	(33)	9,370

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

14. Trade and other payables

	2016 $'000	2015 $'000
Current		
Trade creditors	**406,657**	373,883
Other creditors	**39,455**	76,750
Total current payables	**446,112**	450,633

Non-current		
Other payables - Lease incentives (note 19)	**295**	-

Foreign currency risk
The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the sensitivity of trade and other payables to foreign currency risk (refer to Note 34).

15. Borrowings

	2016 $'000	2015 $'000
Current		
Other secured loans	**11**	-
Unsecured loans	-	291
Total current borrowings	**11**	291
Non-current		
Other secured loans	**63**	63
Unsecured loans	**965**	276
Total non-current borrowings	**1,028**	339

Westpac Receivables Purchase Agreement
The Company by executing the "Receivables Purchase Agreement dated 28 January 1999" ("RPA") and amended as part of the "Sigma Amendment Agreement No 8", dated 6 June 2014, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 5 February 2016. The debtor securitisation facility is $250,000,000 and is split into an overdraft facility of $155,000,000 and a revolving facility of $95,000,000 (See note 30).

Subsequent to 31 January 2016, the Company has extended the facility by 1 year with the new expiry date 6 February 2017 (see note 35).

The facility is subject to interest cover and gearing covenants and provides the Company with additional funding flexibility to meet its working capital requirements. Using a pool of its eligible receivables as security, Sigma can draw down funds provided through advances from Westpac pursuant to the RPA. Repayment of the Westpac advances occurs from the collection of the underlying receivables.

The facility imposes rights and obligations on Sigma with respect to the quality and maintenance of its debtor book, collection of receivables, settlement and reporting to Westpac. As at the year ended 31 January 2016, 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.

Sigma rewards structure
The consolidated group operates a debtor securitisation programme. This programme allows Sigma to receive cash in advance due to the fact that substantially all the risks and rewards of ownership of debtors within the programme are transferred to a third party. Accordingly, the debtors are recorded off balance sheet. The cost associated with this programme is treated as "sales and marketing expenses" in the consolidated statement of profit or loss and other comprehensive income.

Other secured loan
At 31 January 2016, interest bearing car loans amounted to $74,000, of which $11,000 (2015: nil) has been classified as current and $63,000 (2015: $63,000) has been classified as non-current. The carrying amount of the other secured loan is a reasonable approximation of fair value.

15. Borrowings (continued)

Unsecured loans
As part of the acquisition of the Central Healthcare Group (comprised of Central Healthcare Pty Ltd, Central Healthcare Services Pty Ltd, PriceSave Pty Ltd and PharmaSave Australia Pty Ltd), the Group acquired an interest bearing three year loan of $653,000, which has been used to fund a loan to a customer on a back to back basis. At 31 January 2016, the balance of the loan outstanding is nil (2015: $469,000), of which nil (2015: $291,000) has been classified as current (payable within 12 months) and nil (2015: $178,000) has been classified as non-current.

As part of Member Benefits Australia Pty Ltd acquisition, the Group acquired a non interest bearing loan. The balance outstanding as of 31 January 2016 is $62,000 (2015: $98,000) and classified as non-current.

The Group acquired a non interest bearing loan as part of NostraData Pty Ltd acquisition. The balance outstanding as of 31 January 2016 is $903,000 (2015: nil) and classified as non-current.

The carrying amount of the unsecured loans at 31 January 2016 is a reasonable approximation of fair value.

16. Provisions

	2016 $'000	2015 $'000
Current		
Employee benefits	**13,728**	12,580
Lease make good	**622**	817
Directors' retirement	-	195
Total current provisions	**14,350**	13,592
Non-current		
Employee benefits	**1,283**	1,123
Lease make good	**2,706**	2,437
Total non-current provisions	**3,989**	3,560

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

2016	Lease make good $'000	Directors' retirement $'000
Current		
Carrying amount at start of year	817	195
Charged to profit or loss		
- (write back)/additional provision recognised	(18)	4
Payment made during the year	(177)	(199)
Carrying amount at the end of the period	622	-

2016	Lease make good $'000
Non-current	
Carrying amount at start of year	2,437
Charged to profit or loss	
- additional provision recognised	269
Carrying amount at the end of the period	2,706

17. Contributed equity

	2016 $'000	2015 $'000
Issued capital		
Ordinary shares fully paid	**1,304,146**	1,315,288
Issued capital held by equity compensation plan		
Treasury shares	**(65,752)**	(59,822)
Total contributed capital	**1,238,394**	1,255,466

(a) Movements in ordinary share capital – the Company

Details	Notes	No. of shares	$'000
Balance at 1 February 2014		1,119,954,243	331,432
New shares issued		5,072,476	3,018
Share buy-back	17(g)	(31,601,852)	(23,389)
Reclassification of settled and expired share based transactions		-	(406)
Balance at 31 January 2015		1,093,424,867	310,655
Share buy-back	17(g)	**(13,984,377)**	**(11,142)**
Balance at 31 January 2016		**1,079,440,490**	**299,513**

(b) Movements in ordinary share capital – Consolidated

Details	Notes	No. of shares	$'000
Balance at 1 February 2014			1,336,065
New shares issued		5,072,476	3,018
Share buy-back	17(g)	(31,601,852)	(23,389)
Reclassification of settled and expired share based transactions		-	(406)
Balance at 31 January 2015			1,315,288
Share buy-back	17(g)	**(13,984,377)**	**(11,142)**
Balance at 31 January 2016			**1,304,146**

17. Contributed equity (continued)

(c) Movements in treasury share capital

Details	No. of shares	$'000
Balance at 1 February 2014	(58,549,076)	(41,651)
Shares bought on market	(24,000,000)	(18,098)
Shares issued to the Employee loan funded share plans	(5,072,476)	(3,018)
Employee shares exercised	5,703,994	2,539
Reclassification of settled and expired share based transactions	-	406
Balance at 31 January 2015	(81,917,558)	(59,822)
Shares bought on market	**(17,000,000)**	**(13,722)**
Employee shares exercised	**5,503,107**	**2,959**
Reclassification of settled and expired share based transactions	-	**4,833**
Balance at 31 January 2016	**(93,414,451)**	**(65,752)**

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

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

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

(g) Share buy-back
During 2012-13 year, the Company announced that as part of its ongoing capital management strategy it would undertake an on-market share buy-back of up to 10% of its issued ordinary shares. The share buy-back commenced on 2 October 2012. A total of 13,984,377 (2015: 31,601,852) shares were bought back during the year at a total cost of $11,142,000 (2015: $23,389,000). The average price paid was $0.80 (2015: $0.74).

Of the 13,984,377 shares bought back during the year, the Group has cancelled 12,510,122 shares in the current year. The remaining 1,474,255 shares bought back were cancelled in February 2016.

18. Reserves

	Fair value reserve $'000	Foreign currency translation reserve $'000	Options / performance rights reserve $'000	Employee share reserve $'000	Total $'000
Balance at 31 January 2014	-	197	10,048	7,292	17,537
Foreign exchange translation expense	-	83	-	-	83
Options / performance rights expense	-	-	2,291	-	2,291
Dividends appropriated	-	-	-	993	993
Dividend applied to equity compensation plan	-	-	-	(493)	(493)
Deferred income tax	-	(25)	-	-	(25)
Balance at 31 January 2015	-	255	12,339	7,792	20,386
Net change in fair value of financial asset	**150**	-	-	-	**150**
Foreign exchange translation expense	-	**(41)**	-	-	**(41)**
Options / performance rights expense	-	-	**2,313**	-	**2,313**
Dividends appropriated	-	-	-	**2,903**	**2,903**
Reclassification of settled and expired share based transactions*	-	-	**(10,170)**	**(4,321)**	**(14,491)**
Dividend applied to equity compensation plan	-	-	-	**(539)**	**(539)**
Deferred income tax	**(45)**	**12**	-	-	**(33)**
Balance at 31 January 2016	**105**	**226**	**4,482**	**5,835**	**10,648**

*Dividends of previously forfeited shares are transferred to retained earnings.

Nature and purpose of reserves

Fair value reserve
The fair value reserve represents the cumulative gains and losses arising on the revaluation of the investment in other financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

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.

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

19. Expenditure commitments

		Note	2016 $'000	2015 $'000
(a)	**Contracts for capital expenditure for which no amounts have been provided**		**2,675**	2,265
(b)	**Non-cancellable operating leases commitments ***			
	(i) Expenditure contracted but not provided for in the financial statements:			
	- Payable not later than one year		**9,467**	7,240
	- Payable later than one year but not later than five years		**27,858**	15,275
	- Payable later than five years		**10,405**	11,117
			47,730	33,632
	(ii) Lease incentives			
	- Current		**91**	-
	- Non-current	14	**295**	-

* Assets that are the subject of operating leases include leased premises, motor vehicles, items of machinery and equipment. The lease terms for leased premises vary between 5 and 15 years with the majority of leases providing for additional option periods. Contingent rental provisions within the lease agreement provide for increases within the rental structure in line with the CPI and market value. The average lease term for equipment rental is between 3 and 5 years.

20. Auditors' remuneration

	2016 $	2015 $
During the year the auditors, and its network firms, of Sigma Pharmaceuticals Limited earned the following remuneration:		
Deloitte Touche Tohmatsu		
Audit and review of financial reports of the entity or any controlled entity	**348,043**	471,960
Other advisory services	-	401,002
Total Remuneration	**348,043**	872,962

The Risk Management and Audit Committee (RMAC) reviews a summary of all non-audit services provided by the external auditors. The RMAC confirms 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 is formally advised to the Board of Directors by the RMAC.

21. Key management personnel compensation

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

Directors	Position
Mr B Jamieson	Chairman
Mr M Hooper	CEO and Managing Director
Mr D Bayes	Non-Executive Director
Mr R Gunston	Non-Executive Director
Mr D Manuel	Non-Executive Director
Ms L Nicholls, AO (resigned on 9 December 2015)	Non-Executive Director
Ms K Spargo (appointed on 9 December 2015)	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 Director and executive compensation and some equity instruments disclosure as permitted by the Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 13 to 29.

The disclosures in the Remuneration Report are audited.

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

	2016 $	2015 $
Short-term employee benefits	**5,012,804**	3,973,761
Post-employment benefits	**339,915**	137,423
Long-term benefits	**57,110**	29,338
Share based payments	**1,542,305**	1,616,571
	6,952,134	5,757,093

Disclosures relating to related party transactions with Director or key management personnel are set out in Note 22.

22. Related party disclosures

The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group.

Controlled entities

Interests in controlled entities are set out in Note 28.

The 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 21 and in the Remuneration Report.

Other transactions with Directors

Purchases by Directors or Director-related entities

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

Mr D Manuel and his Director-related entities purchased pharmacy products from the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the financial year ended 31 January 2016 was $4,848,220 (2015: $4,857,124). The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 9 was $577,195 (2015: $382,475). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

Other transactions entered into by Sigma Pharmaceuticals Limited and the Group with Directors and their Director-related entities are within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

23. Business combinations

Subsidiaries acquired

	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Total consideration ($'000)
Central Healthcare Pty Ltd, Central Healthcare Services Pty Ltd, PriceSave Pty Ltd and PharmaSave Australia Pty Ltd, collectively known as "Central Healthcare Group"	Central Healthcare Group is a wholesaler and distributor of pharmaceutical products to hospitals and retail pharmacies and is an approved CSO distributor in Victoria, NSW, ACT and Queensland. Central Healthcare also owns and manages the PharmaSave brand.	26 May 2014	100	46,514*
Discount Drugstores Pty Ltd (DDS)	Discount Drugstores Pty Ltd is a discount pharmacy banner group providing buying and retail services to members.	25 September 2014	100	48,653*
Member Benefits Australia Pty Ltd	Member Benefits Australia Pty Ltd provides products and services to their client's members on beneficial terms.	1 September 2014	51	Nil
NostraData Pty Ltd(i)	NostraData collects data from the market and process data into reports for users.	12 November 2015	51	Nil

*Determination of the total consideration of acquisition of Central Health Care Group, Discount Drugstores Pty Ltd and Member Benefits Australia Pty Ltd has been finalised and completed during the financial year ended 31 January 2016. (Refer to Note 23(a)).

(i) On 12 November 2015, the Group's 51% non-voting ordinary shares held in NostraData Pty Ltd were converted to voting ordinary shares. As a result, the Group has gained control over NostraData Pty Ltd and has commenced consolidating the results of NostraData Pty Ltd from that date. Prior to Sigma gaining control, the investment was accounted for as an equity investment.

The interest in NostraData Pty Ltd was acquired to drive new income to support the business through the sale of dispense data.

23. Business combinations (continued)

(a) Total consideration

2015	Note	NostraData Pty Ltd $'000	Central Healthcare Group $'000	Discount Drugstores Pty Ltd $'000	Member Benefits Australia Pty Ltd $'000	Total $'000
Cash			17,927	32,055	-	49,982
Initial contingent consideration			23,373	14,028	-	37,401
Initial consideration determined at acquisition date			41,300	46,083	-	87,383
2016						
Earn out adjustment (i)			**5,214**	**2,570**	-	**7,784**
Total consideration determined on prior year acquisitions			**46,514**	**48,653**	-	**95,167**

(i) Earn out adjustment
Based on the actual performance of CHS and DDS for the 12 month period ended 30 June 2015, a final earn out of $45,185,000 was payable to CHS and DDS. The differential of $7,784,000 to the original estimated earn out payable is included in the profit or loss in the current period.

(b) Fair value of net assets acquired

	Note	2016 NostraData Pty Ltd Total $'000	Central Healthcare Group $'000	2015 Discount Drugstores Pty Ltd $'000	Member Benefits Australia Pty Ltd $'000	Total $'000
Cash and cash equivalents		**2,948**	1,805	6,184	72	8,061
Inventories		-	15,144	3	-	15,147
Prepayments		**38**	143	91	-	234
Trade and other receivables		**1,504**	30,411	2,384	144	32,939
Property, plant and equipment	11	**83**	809	191	76	1,076
Intangibles	12	**825**	1,979	167	-	2,146
Net deferred tax assets		**82**	1,213	372	-	1,585
Trade and other payables		**(873)**	(42,098)	(1,971)	(98)	(44,167)
Provisions		**(127)**	(2,479)	(1,529)	-	(4,008)
Borrowings		**(1,235)**	(653)	-	(194)	(847)
Net identifiable assets acquired		3,245	6,274	5,892	-	12,166

Fair values measured on a provisional basis
The following amounts have been measured on a provisional basis:

- The assessment of the fair value of NostraData's potential identifiable intangible assets is pending completion.
- Fair value of the assets and liabilities acquired as noted above.

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

23. Business combinations (continued)

(c) Goodwill arising on acquisition

	NostraData Pty Ltd	Central Healthcare Group	Discount Drugstores Pty Ltd	Member Benefits Australia Pty Ltd	Total
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Total consideration		41,300	46,083	-	87,383
Less: Fair value of identifiable net assets acquired		(6,274)	(5,892)	-	(12,166)
Goodwill provisionally determined at 31 January 2015		35,026	40,191	-	75,217
2016					
Recognition of identified intangibles		(1,095)	(1,103)	-	(2,198)
Final goodwill of prior year acquisitions		33,931	39,088	-	73,019
Fair value of previously held equity interest	7,812	-	-	-	7,812
Less: Fair value of identifiable net assets acquired	(3,245)	-	-	-	(3,245)
Plus: Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of NostraData Pty Ltd	1,590	-	-	-	1,590
Goodwill provisionally determined on current year acquisition at 31 January 2016	6,157	-	-	-	6,157
Total goodwill (Note 12)					79,176

There is no gain/loss on the remeasurement of the fair value of the Group's existing 51 percent interest in NostraData Pty Ltd ($7,812,000 less $7,812,000 carrying amount of the equity accounted investee at the date of acquisition).

(d) Acquisition-related costs
The Group incurred acquisition related costs of $21,000 (2015: $307,000) on external legal fees and due diligence costs. These costs are recognised as "administration expenses" in profit or loss.

(e) Revenue and profit contribution
Included in the profit for the year is $6,000 profit attributable to NostraData Pty Ltd. Revenue for the year includes $1,255,000 in respect of NostraData Pty Ltd

Had the business combination been effected at 1 February 2015, the revenue of the Group for the year ended 31 January 2016 would have been $3,464,196,000 and the profit for the year would have been $50,615,000.

23. Business combinations (continued)

	2016 $'000	2015 $'000
(f) Net cash outflow arising on acquisition		
Deferred consideration paid on prior year acquisitions	**44,993**	-
Consideration paid in cash with respect to current year acquisitions	-	49,982
Less : cash and cash equivalent balances acquired	(2,948)	(8,061)
	42,045	41,921

24. Non-controlling interest

See accounting policy in Note 2(a)

	2016 $'000	2015 $'000
Balance at beginning of the year	(1)	-
Non-controlling interests arising on the acquisition of NostraData Pty Ltd (see note 23)	1,590	-
Share of loss for the year	(87)	(1)
Balance at end of year	1,502	(1)

25. Associates

	2016 $'000	2015 $'000
Interests in associates	-	7,934

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

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Group 2016	2015
NostraData Pty Ltd	Collation and sale of data	Australia	-	51%

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

	2016 $'000	2015 $'000
Carrying amount of interest in associates	-	7,934
Share of :		
- Profit/(Loss) from continuing operations for the period	210	(6)

The Group acquired 51% of the ordinary shares for $7,940,000 on the 12 November 2014. Although the Group held majority of the shares at that date, the acquired shares were non-voting and there were restrictions in the shareholder agreement that prevented the Group from directing the activities of the associate. The associate was accounted for using the equity method until 12 November 2015.

On 12 November 2015, the Group's 51% non-voting ordinary shares held in NostraData Pty Ltd were converted to voting ordinary shares. As a result, the Group gained control over NostraData Pty Ltd and the entity became a subsidiary effective 12 November 2015 (see Note 23).

The information presented in the above table includes the results of NostraData only for the period from 1 February 2015 to 12 November 2015.

At the date of discontinuing the equity method of accounting, there was no impact to profit or loss, as there was no difference between the fair value of the Group's retained interest in NostraData Pty Ltd and the carrying amount of its investment.

26. Guarantees

	2016 $'000	2015 $'000
Guarantees existed at the end of year in respect of :		
Other guarantees	**4,078**	2,515
Total	4,078	2,515

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 33).

27. Contingent liability

(a) 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.

(b) Other claims

The Group is exposed to various claims and litigations in the normal course of business. The Group assesses each claim to determine any potential liability to the Group on a case by case basis.

28. Details of controlled entities

	Country of formation or incorporation	Sigma Pharmaceuticals Group direct or indirect interest in ordinary shares/equity 2016 %	2015 %
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
Central Healthcare Pty Ltd [a]	Australia	**100**	100
Central Healthcare Services Pty Ltd [a]	Australia	**100**	100
PriceSave Pty Ltd [a]	Australia	**100**	100
PharmaSave Pty Ltd [a]	Australia	**100**	100
Discount Drugstores Pty Ltd [a]	Australia	**100**	100
Member Benefits Australia Pty Ltd	Australia	**51**	51
NostraData Pty Ltd	Australia	**51**	-

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

29. Employee share plans and share based payments

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

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

Issue date	Issue price	Total shares on issue
16 June 2006	$2.48	628,500
19 January 2009	$0.97	686,900
15 January 2010	$1.00	654,000
23 May 2011	$0.38	874,791
18 June 2012	$0.60	1,022,543
01 July 2013	$0.76	2,156,000
14 July 2014	$0.75	2,239,000
10 July 2015	$0.77	3,780,000
		12,041,734

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

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

Share based payments

(a) Executive Short Term Incentive Performance Plan

The short term incentive (STI) plan for executives of the Group is designed to drive key performance measures aligned to strategy and financial objectives. Pre-defined key performance measures are established each year to ensure the targets are relevant and challenging. Commencing the financial year ending 31 January 2015, the structure of the executive STI plan has changed from a combination of cash payment and deferred equity reward to 100% cash payment. (Details of the STI plan are set out on pages 18-19 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
2016								
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	36,176
01/02/15	31/01/16	$0.7951	365,019	-	-	-	365,019	365,019
01/02/15	31/01/17	$0.7951	365,019	-	-	-	365,019	-
Total			**1,198,773**	-	**432,559**	-	**766,214**	**401,195**

29. 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
2015								
01/02/12	31/01/14	$0.6003	611,210	-	611,210	-	-	-
01/03/13	31/01/14	$0.6742	396,383	-	396,383	-	-	-
01/03/13	31/01/15	$0.6742	396,382	-	-	-	396,382	396,382
01/02/14	31/01/15	$0.5950	36,177	-	-	-	36,177	36,177
01/02/14	31/01/16	$0.5950	36,176	-	-	-	36,176	-
01/02/15	31/01/16	$0.7951	-	365,019	-	-	365,019	-
01/02/15	31/01/17	$0.7951	-	365,019	-	-	365,019	-
Total			**1,476,328**	**730,038**	**1,007,593**	**-**	**1,198,773**	**432,559**

(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 pages 19-20 of the Remuneration Report).

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

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

Grant Date	Expiry Date	Exercise Price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
2016								
28/06/11	20/06/16	$0.505	7,978,444	-	1,056,320	-	6,922,124	-
01/02/12	31/01/17	$0.575	5,132,331	-	3,270,951	-	1,861,380	-
01/02/12	31/01/17	$0.540	3,784,034	-	-	-	3,784,034	-
01/02/13	31/01/18	$0.670	16,656,570	-	-	520,111	16,136,459	-
01/02/14	31/01/19	$0.595	17,115,552	-	-	1,658,752	15,456,800	-
01/02/15	31/01/20	$0.800	-	17,380,394	-	1,057,236	16,323,158	-
01/06/15	30/06/20	$0.840	-	2,812,196	-	-	2,812,196	-
Total			**50,666,931**	**20,192,590**	**4,327,271**	**3,236,099**	**63,296,151**	**-**
2015								
28/06/11	20/06/16	$0.505	10,510,733	-	2,532,289	-	7,978,444	-
04/07/11	04/07/16	$0.540	1,639,925	-	1,639,925	-	-	-
01/02/12	31/01/17	$0.575	5,132,331	-	-	-	5,132,331	-
01/02/12	31/01/17	$0.540	3,784,034	-	-	-	3,784,034	-
01/02/13	31/01/18	$0.670	16,656,570	-	-	-	16,656,570	-
01/02/14	31/01/19	$0.595	-	17,115,552	-	-	17,115,552	-
Total			**37,723,593**	**17,115,552**	**4,172,214**	**-**	**50,666,931**	**-**

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

(c) Other equity plan

Sign on performance rights granted to General Manager, Sales

Upon commencement, the General Manager Sales was awarded an equity sign on bonus in the form of performance rights. Provided the executive remains employed by the Company, 100% of the performance rights vest on 4 May 2017.

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
2016								
04/05/15	04/05/17	$0.850	-	294,118	-	-	294,118	-

(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 during the year and unexercised are set out below:

	STI Plan Tranche 1	STI Plan Tranche 2	Loan funded shares	Loan funded shares	Loan funded shares	Loan funded shares	Sign-on incentive plan
	Granted	Granted	Granted	Granted	Granted	Granted	Granted
	1 February 2015	1 February 2015	1 February 2015	1 February 2015	1 June 2015	1 June 2015	4 May 2015
			ROIC Option	TSR Option	ROIC Option	TSR Option	
Fair value	$0.7620	$0.7257	$0.1769	$0.1173	$0.1977	$0.1382	$0.7800
Inputs into the model:							
Grant date share price	$0.8000	$0.8000	$0.8000	$0.8000	$0.8400	$0.8400	$0.8700
Exercise price	-	-	$0.8000	$0.8000	$0.8400	$0.8400	-
Expected volatility	-	-	30%	30%	33%	33%	-
Vesting life	1 year	2 years	3 years	3 years	3 years	3 years	2 years
Option life	1 year	2 years	5 years	5 years	5 years	5 years	2 years
Expected dividend yield	5.0%	5.0%	5.0%	5.0%	5.6%	5.6%	5.7%
Risk free interest rate	-	-	1.95%	1.95%	1.94%	1.94%	-

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

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

(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:

	2016 $'000	2015 $'000
Options issued under executive STI plan	**235**	319
Shares issued under loan funded share plan	**1,992**	1,972
Options issued under sign on performance rights	**86**	-
Total	2,313	2,291

30. Credit facilities

	2016 $'000	2015 $'000
Credit standby arrangements		
Secured bank overdraft facilities	**155,000**	80,000
Amount of credit unused	**81,986**	80,000
Corporate credit card	3,124	3,124
Amount of credit unused	**3,025**	3,001
Westpac debtors securitisation facility available	**95,000**	95,000
Westpac debtors securitisation facility unused	**95,000**	95,000

Notes to the consolidated financial statements continued
For the year ended 31 January 2016

31. Notes to the statement of cash flows

	2016 $'000	2015 $'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 and bank balances	**17,407**	34,284
Bank overdraft	**(73,014)**	-
Cash and cash equivalents	**(55,607)**	34,284

	2016 $'000	2015 $'000
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Profit for the year	**50,415**	52,772
Depreciation expense	**5,475**	5,301
Amortisation expense	**4,492**	2,257
Change in fair value of derivatives	**-**	18
Share based payments expense	**2,313**	2,291
Loss/(profit) on sale of property, plant and equipment	**7**	(160)
Share of profit of equity accounted investee, net of tax	**(210)**	-
Change in assets and liabilities:		
Change in inventories	**(37,242)**	(13,846)
Change in net taxes receivable	**(2,082)**	18,560
Change in prepayments	**(803)**	(426)
Change in trade and other receivables	**(32,305)**	(23,224)
Change in trade creditors	**32,647**	4,895
Change in provisions	**1,060**	1,129
Change in other creditors and deferred income	**8,384**	11,747
Net cash flows from operating activities	**32,151**	61,314

Fair Value

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

32. Parent company financial information

(a) Summary financial information
The individual financial statements for the parent entity show the following aggregate amounts:

	Note	2016 $'000	2015 $'000
Statement of Financial Position			
Current assets		**51,578**	21,779
Total assets		**415,149**	385,384
Current liabilities		**100,776**	56,076
Total liabilities		**100,852**	56,116
Net assets		**314,297**	329,268
Equity			
Issued capital	17(a)	**299,513**	310,655
Reserves		**1,912**	9,780
Accumulated profit		**12,872**	8,833
Total equity		**314,297**	329,268
Profit for the year		**48,289**	16,531
Total comprehensive income for the year		**48,289**	16,531

(b) Guarantees entered into by parent entity
The parent entity has provided financial guarantees in respect of the subsidiary's Westpac debtor securitisation facility. As at 31 January 2016, the balance of the facility is $73,014,000 (2015: nil). The facility is also secured by way of deed over certain account receivables under the Westpac debtor securitisation facility.

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

(c) Contingent liabilities of the parent entity

Refer to Note 27 for comment on contingent liability. The parent entity did not have any other contingent liabilities as at 31 January 2016. For information about guarantees given by the parent entity, see above.

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

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 January 2016 or 31 January 2015.

(e) Parent Company Investment in Subsidiary Companies

The carrying value of the parent's investment in subsidiaries as at 31 January 2016 was $363,511,000 (2015: $363,511,000).

(f) Receivables from Controlled Entities

The parent entity did not have any impairment in respect of any intercompany loan receivable during the 2016 financial year (2015: nil). The parent loan receivable is not overdue and eliminates on consolidation.

Notes to the consolidated financial statements continued

For the year ended 31 January 2016

33. Deed of cross guarantee

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

A Consolidated 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 2016 are set out below:

	2016 $'000	2015 $'000
Sales revenue	**3,461,104**	3,142,126
Cost of goods sold	**(3,200,641)**	(2,907,282)
Gross profit	260,463	234,844
Other revenue and income	**71,091**	51,761
Warehousing and delivery expenses	**(122,948)**	(111,734)
Sales and marketing expenses	**(59,598)**	(45,813)
Administration expenses	**(51,573)**	(43,928)
Loss on recognition of contingent consideration from prior year acquisitions	**(7,784)**	-
Depreciation and amortisation	**(8,771)**	(7,366)
Amortisation of other intangibles acquired in acquisition	**(940)**	-
Profit before financing costs	79,940	77,764
Financial income	**1,968**	1,515
Financial expense	**(5,391)**	(3,972)
Net financing expense	(3,423)	(2,457)
Share of profit/(loss) of equity accounted investee, net of tax	**210**	(6)
Profit before income tax	76,727	75,301
Income tax expense	**(26,123)**	(22,753)
Profit for the year	50,604	52,548
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change in fair value of financial asset	**150**	-
Exchange differences on translation of foreign operations	**(41)**	83
Income tax relating to components of other comprehensive income	**(33)**	(25)
Other comprehensive income for the year, net of tax	76	58
Total comprehensive income for the year	50,680	52,606
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial period	**(698,302)**	(728,349)
Profit for the year	**50,604**	52,548
Reclassification of settled and expired share based transactions	**9,658**	-
Dividends	**(54,421)**	(22,501)
Accumulated losses at the end of the financial period	(692,461)	(698,302)

33. Deed of cross guarantee (continued)

	2016 $'000	2015 $'000
Statement of financial position		
Current assets		
Cash and cash equivalents	**12,905**	33,378
Trade and other receivables	**616,841**	589,829
Inventories	**288,626**	251,385
Prepayments	**5,049**	4,246
Total current assets	**923,421**	878,838
Non-current assets		
Trade and other receivables	**9,185**	4,738
Property, plant and equipment	**58,340**	57,651
Goodwill and other intangible assets	**100,529**	96,230
Other financial assets	**650**	-
Investments accounted for using the equity method	**-**	7,934
Net deferred tax assets	**9,773**	7,708
Total non-current assets	**178,477**	174,261
Total assets	**1,101,898**	1,053,099
Current liabilities		
Bank overdraft	**73,014**	-
Trade and other payables	**424,225**	427,714
Borrowings	**-**	291
Income tax payable	**12,721**	12,705
Provisions	**14,248**	13,592
Deferred income	**2,744**	1,104
Total current liabilities	**526,952**	455,406
Non-current liabilities		
Other payables	**295**	-
Borrowings	**-**	179
Provisions	**3,989**	3,560
Deferred income	**609**	443
Total non-current liabilities	**4,893**	4,182
Total liabilities	**531,845**	459,588
Net assets	**570,053**	593,511
Equity		
Contributed equity	**1,252,092**	1,271,682
Reserves	**10,422**	20,131
Accumulated losses	**(692,461)**	(698,302)
Total equity	**570,053**	593,511

34. Financial instruments

Financial risk management

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

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

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

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

The Group holds the following financial instruments:

	2016 $'000	2015 $'000
Financial Assets		
Cash and cash equivalents	**17,407**	34,284
Trade and other receivables	**627,433**	594,695
Other financial assets	650	-
	645,490	628,979
Financial liabilities		
Bank overdraft	**73,014**	-
Trade and other payables	**446,407**	450,633
Borrowings	**1,039**	630
	520,460	451,263

(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. The Group did not enter into forward exchange contracts during the year ended 31 January 2016 to purchase any foreign currency.

(ii) Cash flow and fair value interest rate risk

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

The Group's main interest rate risk arises from borrowings under the Receivables Purchase Agreement with Westpac Limited (refer Note 15).

The Group did not enter into any interest rate hedge contracts during the year ended 31 January 2016 (2015:nil).

34. Financial instruments (continued)

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

	31 January 2016				31 January 2015			
Interest rate risk	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
Financial assets								
Cash and cash equivalents	17,407	0.9%	(174)	174	34,284	2.0%	(343)	343
Financial liabilities								
Borrowings-secured	(74)	4.5%	1	(1)	(63)	4.9%	1	(1)
Borrowings-unsecured	(965)	-	-	-	(567)	6.0%	5	(5)
Bank overdraft	(73,014)	3.6%	730	(730)	-	-	-	-
Total (decrease)/increase			557	(557)			(337)	337

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

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

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

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

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

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

The weighted average term to maturity of committed bank facilities and rolling cash flow forecasts are periodically provided to management and the Board.

The Receivables Purchase Agreement debt with Westpac Limited has been classified as current as the loan has a maturity profile that varies between 30 and 90 days.

34. Financial instruments (continued)

(d) Other price risk

The Group is exposed to equity price risks arising from equity instruments. Equity instruments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower:

- Profit for the year ended 31 January 2016 would have been unaffected as the equity investments are classified as available for sale; and
- Other comprehensive income for the year ended 31 January 2016 would increase/decrease by $23,000 as a result of the changes in fair value of available for sale shares.

(e) 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).

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Financial assets	Fair value		Fair value hierarchy	Valuation technique(s) and key inputs
	31 January 2016	31 January 2015		
Other financial assets	Listed equity shares - $650,000	-	Level 1	Quoted bid prices in an active market.

35. Events subsequent to reporting date

(a) Dividends

Since the end of the financial year, the Board of Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2016 to shareholders on the register at the ex-dividend date of 6 April 2016. The total amount payable is $32,383,000.

(b) Renewal of a major customer contract

On 17 February 2016, the Group announced the finalisation of a long term supply contract with one of it major customers. The new agreement is in place until December 2018 and provides an option to exclusively negotiate an additional 3 year extension. The agreement also delivers further reduction in payment terms.

(c) Westpac receivables purchase agreement

The existing debtor securitisation facility of $250,000,000 was due to expire on 5 February 2016. On 22 February 2016, the Company has extended the facility to 6 February 2017. The debtor securitisation facility is $250,000,000 and is subject to the same terms and conditions.

Other than the matters discussed above, there has not been any other matter or circumstance that has arisen since 31 January 2016 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.

Directors' Declaration

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

(a) the financial statements and notes, set out on pages 31 to 86, 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 2016 and of its performance for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards, the *Corporate Regulations 2001,* and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 January 2016 pursuant to Section 295A of the *Corporations Act 2001.*

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

For and on behalf of the Board.

Mr Brian Jamieson
Chairman

Mr Mark Hooper
CEO & Managing Director

Melbourne
22 March 2016

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 January 2016, 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 31 to 87.

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 2016 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 15 to 29 of the directors' report for the year ended 31 January 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

Tom Imbesi
Partner
Chartered Accountants
Melbourne, 22 March 2016