

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 2014

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Sigma will host a presentation to analysts and media on Thursday 27 March 2014 at 10.00 am with all presentation material posted to Sigma's website (www.sigmaco.com.au)

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Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Full Year Financial Report

For the financial year ended 31 January 2014
compared to the prior year ended 31 January 2013

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 2014 (the 'financial year') compared with the year ended 31 January 2013 ('comparative year').

Highlights

- Sales revenue up 1.1% to almost \$3.0 billion.
- Reported EBIT \$70.3 million, underlying EBIT \$71.2 million.
- Profit on sale of property offsets bad debt and legal settlement.
- Fully Franked Final dividend of 2.0 cents.
- Record return on invested capital (ROIC) of 14.6%.
- \$67.5 million cash, zero debt at year end.

Consolidated results

	31 January 2014 (\$'000)	31 January 2013 (\$'000)	Movement (\$'000)	Movement per cent
Revenue from continuing operations	2,973,466	2,942,391	31,075	1.1%
Profit after tax attributable to equity holders of Sigma Pharmaceuticals Limited	53,536	18,686	34,850	186.5%
Net tangible assets per share	\$0.50	\$0.51		

Dividends

Since the end of the financial year, the Board of Directors has resolved to pay a fully franked final dividend of 2.0 cents, to be paid on 30 April 2014. The ex-dividend date is 3 April 2014. The record date is 9 April 2014. The financial impact of these dividends amounting to \$22.4 million has not been recognised in the Financial Statements for the year ended 31 January 2014 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
9 April 2014	30 April 2014	2.0	2.0	\$22.4
23 September 2013	23 October 2013	2.0	2.0	\$22.5
22 March 2013	19 April 2013	2.0	2.0	\$23.3

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Shareholder's Calendar

Results announced	27 March 2014
Ex-dividend date	3 April 2014
Record Date	9 April 2014
Dividend payment date	30 April 2014

Annual General Meeting Melbourne 11.00 am 7 May 2014

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

PO Box 2890
Rowville VIC 3178
Australia

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

SIGMA PHARMACEUTICALS LIMITED
Registered Office:

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

FINANCIAL STATEMENTS

For the financial year ended

31 January 2014

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Directors' Report

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

Directors

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

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

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

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

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

Board and committee meeting attendance

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

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

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

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

Directors' Report continued

Operating and Financial Review

Operations

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

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

Financial Performance

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

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

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

¹ Figures are post tax

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

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

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

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

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

Directors' Report continued

Financial Performance (continued)

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

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

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

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

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

Financial Position

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

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

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

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

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

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

Directors' Report continued

Likely developments and expected results of operations

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

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

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

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

Material Risks

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

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

Regulatory reforms or legislative changes

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

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

Competitive landscape changes

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

Loss of material customer or customer default

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

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

Directors' Report continued

Events subsequent to the reporting date

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

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

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

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

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

Dividends

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

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

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

Directors' and officers' indemnities and insurance

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

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

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

Non-audit services

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

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

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

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

Directors' Report continued

Non-audit services (continued)

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

CEO and Managing Director and Chief Financial Officer declaration

The CEO and Managing Director and the Chief Financial Officer have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations in regards to the integrity of the financial statements.

Directors' and Executive Officers' remuneration policy

Details of the Group's Remuneration Policy in respect of the Directors and Senior Managers are included in the Remuneration Report on pages 12 to 24. 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
26 March 2014



Mr Mark Hooper
CEO and Managing Director

Remuneration Report 2013/14

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Introduction

Dear Shareholder,

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

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

Consistent with our commitment to ensuring remuneration is linked to company performance, no Short Term Incentives have been paid to our Executives, with the exception of those relating to safety (refer to page 18). An overview of the key remuneration outcomes for the financial year is as follows:

- Short Term Incentive (STI) payments were restricted to safety performance targets only. The CEO/Managing Director earned 7.5% and the other Executives earned an average 3.75% of their maximum Short Term Incentive (STI) payment (set out on page 18)
 - In line with market movement, business and individual performance, the CEO/Managing Director received a 4% increase to fixed remuneration and the other Executives received on average 5.75%, effective 1 May 2013 (set out on pages 16-17)
- The sign on performance rights awarded to the CEO/Managing Director and Chief Financial Officer upon commencement vested during the financial year (set out on page 19)
- Non-Executive Director base fees and committee fees were increased by 4% in line with external market movement

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

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

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

David Bayes

Chairman - Remuneration and Nomination Committee

Remuneration Report

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

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

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

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

Remuneration Governance

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

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

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

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

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

Remuneration Strategy and Principles

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



Non-Executive Director Remuneration

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

Consistent with external market movements, Non-Executive Director base fees and committee fees were increased by 4% effective 1 May 2013. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were \$1,004,947, as set out in Table 1 on page 21.

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

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

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

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

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

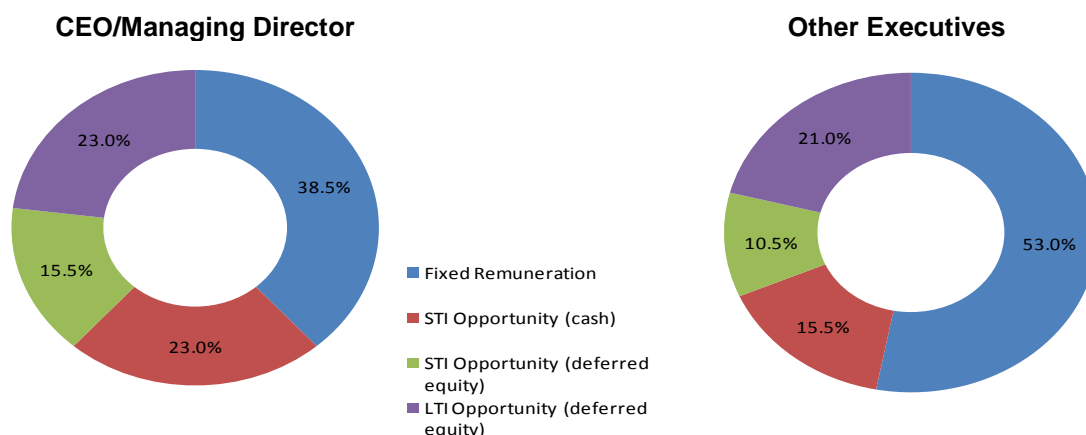
In January 2006, the Non-Executive Director's Retirement Benefit Plan (Plan) was discontinued. Benefits accrued under the Plan were calculated and, at the choice of the relevant Non-Executive Director, converted into Sigma shares or paid into the Non-Executive Director's superannuation fund. The table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

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

Executive Remuneration

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

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



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

Component	Commentary
Fixed Remuneration	100% cash payment comprising base salary and statutory superannuation contributions determined based on the complexity of the role, experience, performance, internal and external market relativities. Reviewed annually on 1 May with no guaranteed increases in any contracts of employment.
At-Risk Remuneration STI	Cash and deferred equity based on performance against annual financial and non-financial measures.
Maximum STI Reward Value	100% (60% in cash and 40% in deferred equity) of fixed remuneration for the CEO/Managing Director. 50% (60% in cash and 40% in deferred equity) of fixed remuneration for other Executives.
Hurdle Requirement	A Net Profit After Tax (NPAT) hurdle must be achieved to trigger any STI payment opportunity. The hurdle excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board. NPAT was selected as an appropriate hurdle as it is the best overall measure of Company performance, is reflective of the generation of shareholder value, and is a measure readily recognised by and reported to shareholders. In recognition of the importance of workplace safety, KPIs relating to safety are excluded from this hurdle requirement, are separately established and payable upon achievement.
Performance Measures Financial	50% of measures relate to Group financials, specifically 25% each is weighted against Return On Invested Capital (ROIC) and NPAT. As a minimum, budgeted performance must be achieved to result in any payment under these financial KPIs. Group financial calculations under the STI plan exclude significant uncontrollable or one-off events, and the initial impacts from business development initiatives, as approved by the Board.
Performance Measures Non-financial	50% of measures relate to a range of non-financial measures, specifically: CEO/Managing Director - strategic initiative development, business development, logistics cost/efficiency and safety. Other Executives - operational performance, continuous improvement, logistics cost/efficiency, safety, project implementation, internal audit and risk management. Rewards successful non-financial outcomes and continuous improvement in safety.
Reward Mechanism	60% of awarded STI is paid in cash upon Board approval of the audited year-end accounts.

	<p>40% of awarded STI is delivered in Performance Rights which are deferred for 1 and 2 years (50% each year) and are subject to service and forfeiture conditions.</p> <p>No dividend is payable on deferred rights.</p> <p>Ensures close alignment of the Executive and shareholder interest through increased shareholding and acts as a retention tool where deferred rights are typically forfeited in the case of resignation.</p>
At-Risk Remuneration LTI	Equity reward for delivering long term sustainable growth and shareholder value creation.
Performance Period	<p>Three financial years commencing on 1 February in the year of the grant.</p> <p>The performance period reflects the business cycle of the Company. As a wholesaler, strategic, operational and financial initiatives translate to a short to medium term impact on the financial performance of the Company.</p> <p>The three year period also reflects the competitive market practice in attracting, retaining and rewarding high calibre executives, as 72% of ASX200 companies had a vesting period of three years or less for their LTI plans during the 2013 financial year.</p>
Maximum LTI Reward Value	<p>60% of fixed remuneration for the CEO/Managing Director.</p> <p>40% of fixed remuneration for other Executives.</p>
Delivery Mechanism¹	<p>Loan Funded Shares (2013 grant)</p> <p>An interest free limited recourse loan to fund share acquisition. The loan period is 5 years and runs concurrently with the performance period and a 2 year exercise period. The Executives may choose to repay the outstanding loan prior to its expiry.</p> <p>Number of Shares = Maximum LTI Reward Value / Fair Value</p> <p>Loan Value = Number of Shares x Issue Price (market price on Grant Date)</p> <p>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.</p> <p>The post-tax value of dividends paid is applied to repay any outstanding loan. At the expiration of the loan period, the amount to be repaid is the lower of:</p> <ul style="list-style-type: none"> the outstanding loan less any repayments, and the market value of the vested shares. <p>Share allocation under the 2013 grant was satisfied through an on-market share acquisition.</p>
Vesting Conditions	<p>50% based on absolute Total Shareholder Return (TSR) (50% or higher during the performance period for the 2013 grant).</p> <p>Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits) / Sigma share price at the start of the performance period</p> <p>Measures the level of return to shareholders, taking into account share price growth and dividend payments including the value of any franking credits.</p> <p>50% based on average pre-tax ROIC excluding significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board (14% during the performance period for the 2013 grant).</p> <p>Pre-tax ROIC = EBIT from continuing operations / (Total Shareholder Funds + Net Debt)</p> <p>Measures capital management effectiveness including outcomes of multi-year investment decisions.</p>
Re-testing	Shares that do not vest after testing lapse without being re-tested.
Exercise Price	Issue price (market price on Grant Date).
Disposal Restrictions	Dealing, transferring or disposing of shares is prohibited until the end of the vesting period; and the loan has been repaid or appropriate arrangements for repayment of the loan have been approved by the Company.

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

Forfeiture Conditions	Event	Unvested Shares	Vested Shares
	Resignation	forfeited	retained (subject to loan repayment)
	Summary Dismissal	forfeited	forfeited (if subject to outstanding loan balance)
	Death/Redundancy	Board Discretion	

Table 3 on page 23 and Table 4 on page 24 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 2014	Financial Year ¹				
	2013/14	2012/13	2011/12	2010/11	2009/10
Share price (\$)²	0.629	0.692	0.570	0.432	0.935
Dividends paid in the financial year (cps)	4.0	5.5	16.5³	-	3.0
TSR⁴	(0.8%)	35.2%	86.3%		
Pre-tax ROIC⁵	14.6%⁷	13.5%⁶	12.4%		
EBIT (\$m)	74.7⁷	71.1⁶	69.2	(159.0)	(322.2)
NPAT (\$m)	56.8⁷	52.3⁶	49.2	(235.4)	(398.3)

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

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

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

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

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

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

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

Company Performance and STI Outcomes

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

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

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

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

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

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

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

Company Performance and LTI Outcomes

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

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



2011 long term incentive plan

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

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

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

Table 4 on page 24 sets out the details of the 2011 LTI plan vested to the Executives.

Sign on performance rights

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

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

Table 3 on page 23 sets out the details of the sign on performance rights vested and subsequent share allocation to the CEO/Managing Director and Chief Financial Officer.

Other Remuneration Disclosures

Equity Restrictions

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

Clawback Arrangements

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

Employee Share Plan

To align their interests with those of the shareholders, employees at all levels of the organisation are encouraged to hold shares in the Company. During the financial year the Company offered all eligible employees the opportunity to acquire shares in the Company on a 10 year interest free limited recourse loan. The value of any dividend paid and employee contributions are applied to repay the outstanding loan, which can be extinguished prior to its expiration. The amount to be repaid is the lower of the outstanding loan less any repayments and the market value of the shares. A 3 year disposal restriction period applies under the Plan.

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

Loans to Executives

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

Service Agreements

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

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

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

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

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

	Short Term Benefits					Post-employment Benefits			Other Long Term Benefits ¹	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including Value in Share-Based Plans	Share Based Payments as Proportion of Remuneration ⁸
	Salary and Base Fees ²	Committee Fees	Cash Short-term Incentives ³	Sign On Cash Payments	Non-Monetary Benefits ⁴	Superannuation Benefits	Increase in Retirement Benefits ⁵	Retirement Benefits Paid				Performance Rights ⁶	Loan Funded Shares ⁷		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS															
Mr B Jamieson	292,603	-	-	-	5,301	17,231	-	-	-	-	315,135	-	-	315,135	0%
Mr D Bayes	107,120	66,414	-	-	5,301	15,874	-	-	-	-	194,709	-	-	194,709	0%
Mr R Gunston	107,120	63,787	-	-	5,301	15,610	-	-	-	-	191,818	-	-	191,818	0%
Mr D Manuel	107,120	18,210	-	-	5,301	11,464	-	-	-	-	142,095	-	-	142,095	0%
Ms L Nicholls AO	107,120	59,987	-	-	5,301	15,286	5,170	-	-	-	192,864	-	-	192,864	0%
Subtotal for Non-Executive Directors	721,083	208,398	-	-	26,505	75,465	5,170	-	-	-	1,036,621	-	-	1,036,621	0%
EXECUTIVES															
Mr M Hooper	1,196,984	-	53,150	-	5,301	17,231	-	-	11,259	-	1,283,925	488,493	729,918	2,502,336	49%
Mr G Dunne	558,255	-	12,600	-	5,301	17,231	-	-	2,590	-	595,977	38,354	205,569	839,900	29%
Mr J Sells	498,450	-	-	-	5,301	17,231	-	-	4,886	-	525,868	113,333	189,924	829,125	37%
Subtotal for Executives	2,253,689	-	65,750	-	15,903	51,693	-	-	18,735	-	2,405,770	640,180	1,125,411	4,171,361	42%
TOTAL	2,974,772	208,398	65,750	-	42,408	127,158	5,170	-	18,735	-	3,442,391	640,180	1,125,411	5,207,982	34%

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 15. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

³ Represents cash payments in respect to the 2013/14 STI plan as described on page 18.

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

⁵ Interest on accrued retirement benefit as described on page 15.

⁶ Represents amounts expensed in relation to the sign on performance rights granted to the CEO/Managing Director and Chief Financial Officer (refer to page 19) and amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2011/12, 2012/13 and 2013/14 STI Plan (refer to page 16-18).

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

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

TABLE 2: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2012/13

	Short Term Benefits					Post-employment Benefits			Other Long Term Benefits ¹	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including Value in Share-Based Plans	Share Based Payments as Proportion of Remuneration ⁸
	Salary and Base Fees ²	Committee Fees	Cash Short-term Incentives ³	Sign On Cash Payments	Non-Monetary Benefits ⁴	Superannuation Benefits	Increase in Retirement Benefits ⁵	Retirement Benefits Paid				Performance Rights ⁶	Loan Funded Shares ⁷		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS															
Mr B Jamieson	287,195	-	-	-	5,332	18,072	-	-	-	-	310,599	-	-	310,599	0%
Mr D Bayes	103,000	63,860	-	-	5,332	20,666	-	-	-	-	192,858	-	-	192,858	0%
Mr R Gunston	103,000	42,100	-	-	5,332	15,277	-	-	-	-	165,709	-	-	165,709	0%
Mr D Manuel	103,000	17,510	-	-	5,332	14,461	-	-	-	-	140,303	-	-	140,303	0%
Ms L Nicholls AO	103,000	57,680	-	-	5,332	19,324	7,044	-	-	-	192,380	-	-	192,380	0%
Subtotal for Non-Executive Directors	699,195	181,150	-	-	26,660	87,800	7,044	-	-	-	1,001,849	-	-	1,001,849	0%
EXECUTIVES															
Mr M Hooper	1,048,383	-	485,503	-	5,332	16,181	-	-	5,756	-	1,561,155	756,532	473,811	2,791,498	44%
Mr G Dunne	508,317	-	116,156	-	5,332	16,181	-	-	1,680	-	647,666	42,735	126,641	817,042	21%
Mr J Sells	442,401	-	109,768	-	5,332	16,181	-	-	2,476	-	576,158	180,530	115,336	872,024	34%
Subtotal for Executives	1,999,101	-	711,427	-	15,996	48,543	-	-	9,912	-	2,784,979	979,797	715,788	4,480,564	38%
TOTAL	2,698,296	181,150	711,427	-	42,656	136,343	7,044	-	9,912	-	3,786,828	979,797	715,788	5,482,413	31%

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

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

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

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

⁵ Interest on accrued retirement benefit.

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

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

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

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

	Grant Date	Fair Value Per Right at Grant Date ¹ \$	Number of Share Rights Issued	Fair Value of Rights at Grant Date \$	Exercise Date ²	Exercise Price	Balance of Share Rights 01/02/13	Number of Share Rights Granted during the Year	Number of Share Rights Exercised during the Year	Number of Share Rights Vested during the Year	Balance of Share Rights at 31/01/14
Mr M Hooper											
STI Deferred Equity	1/02/2012	0.4976	345,627	171,984	31/01/2014	-	345,627	-	-	345,627	-
	1/02/2013	0.6233	240,039	149,616	31/01/2014	-	-	240,039	-	240,039	-
	1/02/2013	0.5799	240,039	139,199	31/01/2015	-	-	240,039	-	-	240,039
	1/02/2014	0.5574	29,244	16,301	31/01/2015	-	-	-	-	-	-
	1/02/2014	0.5221	29,244	15,268	31/01/2016	-	-	-	-	-	-
Sign On Award	6/09/2010	0.3520	2,840,909	1,000,000	6/09/2013	-	2,840,909	-	2,840,909	-	-
	29/04/2011	0.3380	1,210,328	409,091	6/09/2013	-	1,210,328	-	1,210,328	-	-
Mr G Dunne											
STI Deferred Equity	1/02/2012	0.4976	37,481	18,651	31/01/2014	-	37,481	-	-	37,481	-
	1/02/2013	0.6233	57,429	35,795	31/01/2014	-	-	57,429	-	57,429	-
	1/02/2013	0.5799	57,429	33,303	31/01/2015	-	-	57,429	-	-	57,429
	1/02/2014	0.5574	6,933	3,864	31/01/2015	-	-	-	-	-	-
	1/02/2014	0.5221	6,932	3,619	31/01/2016	-	-	-	-	-	-
Mr J Sells											
STI Deferred Equity	1/02/2012	0.4976	70,839	35,249	31/01/2014	-	70,839	-	-	70,839	-
	1/02/2013	0.6233	54,271	33,827	31/01/2014	-	-	54,271	-	54,271	-
	1/02/2013	0.5799	54,270	31,471	31/01/2015	-	-	54,270	-	-	54,270
Sign On Award	6/09/2010	0.3520	710,227	250,000	6/09/2013	-	710,227	-	710,227	-	-
	29/04/2011	0.3380	302,581	102,272	6/09/2013	-	302,581	-	302,581	-	-

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

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

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

Executives	Grant Date	Share Price at Grant \$	Fair Value Per Share Grant Date ¹ \$	Exercise Price	Exercise Date ²	Number of Loan Funded Shares						Loan Value and Balance			
						Balance at 01/02/13 ³	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/14	Loan Value at Grant Date \$	Loan Balance at 1/02/13 \$	Loan Repayment During the Year ⁴ \$	Loan Balance at 31/01/14 \$
Mr M Hooper	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	5,372,395	-	-	-	-	5,372,395	2,713,059	2,425,636	164,242	2,261,394
	1/02/2012	0.5750	0.2003	0.5750	31/01/2015	3,784,034	-	-	-	-	3,784,034	2,043,378	1,985,536	115,683	1,869,853
	1/02/2013	0.6700	0.1842	0.6700	31/01/2016	-	6,623,452	-	-	-	6,623,452	4,437,713	4,437,713	202,488	4,235,225
Mr G Dunne	4/07/2011	0.5400	0.1319	0.5400	4/07/2014	1,639,925	-	-	-	-	1,639,925	885,560	797,824	50,135	747,689
	1/02/2012	0.5750	0.1417	0.5750	31/01/2015	1,155,078	-	-	-	-	1,155,078	664,170	615,615	35,312	580,303
	1/02/2013	0.6700	0.1842	0.6700	31/01/2016	-	2,041,251	-	-	-	2,041,251	1,367,638	1,367,638	62,404	1,305,234
Mr J Sells	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	1,549,729	-	-	-	-	1,549,729	782,613	699,703	47,377	652,326
	1/02/2012	0.5750	0.1417	0.5750	31/01/2015	1,091,548	-	-	-	-	1,091,548	627,640	581,756	33,370	548,386
	1/02/2013	0.6700	0.1842	0.6700	31/01/2016	-	1,928,982	-	-	-	1,928,982	1,292,418	1,292,418	58,972	1,233,446

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

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

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

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

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

26 March 2014

Dear Board Members

Sigma Pharmaceuticals Limited

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

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

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Tom Imbesi
Partner
Chartered Accountants

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 January 2014

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

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

Consolidated statement of financial position

As at 31 January 2014

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

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

Consolidated statement of changes in equity

For the year ended 31 January 2014

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

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

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

Consolidated statement of cash flows

For the year ended 31 January 2014

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

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

Notes to the consolidated financial statements

For the year ended 31 January 2014

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Notes to the consolidated financial statements

For the year ended 31 January 2014

1. Basis of financial report preparation

(a) Significant accounting policies

Sigma Pharmaceuticals Limited (the "Company") is a company domiciled in Australia. This financial report was authorised for issue by the Directors on 26 March 2014.

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

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

(b) Statement of Compliance

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

Compliance with IFRS

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

(c) Basis of measurement

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

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

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

(d) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Sigma Pharmaceuticals Limited, being the parent entity as at 31 January 2014 and the results of all subsidiaries for the year then ended. Sigma Pharmaceuticals Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity. Subsidiaries are all entities (including special purpose entities) over which the Group has control. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Transactions eliminated on consolidation

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the 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.

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

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

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

Notes to the consolidated financial statements

For the year ended 31 January 2014

1. Basis of financial report preparation (continued)

Use of special purpose vehicle

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

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

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

(e) Use of accounting estimates and judgements

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

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

Carrying value of inventory

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

Carrying value of receivables

The consolidated entity assesses whether trade receivables are appropriately provided for at each reporting date. These calculations involve estimates and assumptions around specific customers and to the best of management's knowledge impairment of receivables have been correctly and fairly recorded as at 31 January 2014.

Estimation of useful lives of assets

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

Share based payment transaction

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

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

Lease make good provision

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

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.

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies

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

(a) Revenue

Sale of goods

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

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

Community Service Obligation ("CSO")

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

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

Other revenue

Membership income

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

Commissions and fees

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

Marketing services and promotional income

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

Rentals and other trading revenue

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

Government grants

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

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

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

(b) Earnings per share

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

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

(c) Foreign currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Foreign exchange gains and losses are brought to account in profit 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.

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(d) Finance costs

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

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

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

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the Goods and 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.

(f) Dividends

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

(g) Impairment and recoverable amount of assets

Impairment

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

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

Calculation of recoverable amount

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

Reversals of impairment

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

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

(h) Cash and cash equivalents

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(i) Receivables

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

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

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

(j) Inventories

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

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

(k) Investments

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

(l) Property, plant and equipment

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

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

Buildings	40 years
Plant and Equipment	2 to 20 years

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

(m) Intangibles

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

Brand names

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

Software

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

(n) Leases

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(o) Trade payables

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

(p) Interest bearing liabilities

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

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

(q) Provisions

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

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

Provision for 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.

(r) Employee benefits

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

Long service leave

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

Superannuation plans

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(s) Share-based payment transactions

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

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

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

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

Sigma employee and senior executive share plans

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

(t) Income tax

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

Australian tax consolidation

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

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

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

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

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

Nature of tax funding arrangements and tax sharing arrangements

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

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

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

(u) Contributed equity

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

(v) Derivatives

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

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

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

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

(w) Segments

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(x) Financial guarantee contracts

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

(y) Customer loyalty program

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

(z) Deferred income

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

(aa) Parent entity financial information

The financial information for the parent entity, Sigma Pharmaceuticals Limited (the "Company"), disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

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

(ii) Financial guarantees

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

(ab) New accounting standards and interpretations

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

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

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

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships.

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

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(ab) New accounting standards and interpretations (continued)

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

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

AASB 13 was released in September 2011. It explains how to determine fair value and requires disclosures about fair value measurements. It does not change the requirements regarding which items should be measured or disclosed at fair value.

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

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

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

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

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

AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

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

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

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

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

Key amendments include:

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

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

New standards and interpretations not yet adopted

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

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

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

2. Summary of significant accounting policies (continued)

(ab) New accounting standards and interpretations (continued)

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

3. Segment information

Information on segments

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

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

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

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

One customer group contributes revenues which form greater than 30% of the Group revenues. This customer has a long standing relationship with Sigma and a service contract is in place until October 2015. Sales revenue for the period to 31 January 2014 was \$1,010.7 million (2013: \$873.7 million).

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

4. Revenue and other income

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

5. Expenses

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

6. Net financing income

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

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

7. Income tax expense

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

Unrecognised Deferred tax losses

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

8. Dividends

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

	Cents per Share	Amount \$'000	Date of payment	Tax rate for franking credit %	Percentage Franked %
2014					
Final dividend for the year ended 31 January 2013 - Ordinary shares paid in cash	2.0	23,213	19 April 2013	30	100
Interim dividend for the year ended 31 January 2014 - Ordinary shares paid in cash	2.0	22,532	23 October 2013	30	100
Total dividends recognised by the parent entity		45,745			
Less: dividends paid on shares held by Sigma employee share plan		(18)			
Less: dividends paid on the shares under the Sigma employee share plan		(1,483)			
Total dividends paid by the Group		44,244			
2013					
Special and Final dividend for the year ended 31 January 2012 - Ordinary shares paid in cash	3.5	41,343	27 April 2012	30	100
Interim dividend for the year ended 31 January 2013 - Ordinary shares paid in cash	2.0	23,726	26 October 2012	30	100
Total dividends recognised by the parent entity		65,069			
Less: dividends paid on the shares under the Sigma employee share plan		(1,154)			
Total dividends paid by the Group		63,915			

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

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

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

Subsequent Events

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

9. Earnings per share

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

Performance Rights and Options

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

10. Trade and other receivables

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

(a) Trade debtors

All trade debtors are unsecured and Sigma does not hold any collateral in relation to these debts apart from a standard retention of title clause. In most cases the fair value of the retention of title approximates the carrying value of the trade debt. Trade debtors have been utilised to secure a cash advance from the Waratah Program of \$0.0 million at 31 January 2014 (2013: \$30.0 million).

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

Impaired trade receivables

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

The ageing of these impaired Group receivables is as follows:

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

As at 31 January 2014, trade receivables of \$7.7 million (2013: \$8.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

10. Trade and other receivables (continued)

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

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

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

(b) Other debtors

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

(c) Other loan receivables

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

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

Impaired other loan receivables

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

(d) Fair value and credit risk

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

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

(e) Foreign exchange risk and interest rate risk

Information about the Group's exposure to foreign exchange and interest rate risk in relation to trade and other receivables is provided in Note 33.

11. Inventories

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

12. Property, plant and equipment

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

13. Intangible assets

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

Impairment of intangible assets

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

14. Net deferred tax assets

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

2014	Balance 1 February 2013	Recognised in income	Recognised in equity	Balance 31 January 2014
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	879	2,707	-	3,586
Inventories	1,451	(502)	-	949
Trade and other accruals	2,887	(539)	-	2,348
Provisions for employee benefits	3,424	425	-	3,849
Other	3,213	(2,603)	-	610
Derivative hedge reserve	(280)	-	280	-
Equity raising costs capitalised in equity	592	(592)	-	-
Intangibles	(618)	62	(103)	(659)
Property, plant and equipment	(4,461)	904	-	(3,557)
Net deferred tax assets	7,087	(138)	177	7,126
Deferred tax assets	13,097	(1,273)	-	11,824
Deferred tax liabilities	(6,010)	1,135	177	(4,698)
Net deferred tax assets	7,087	(138)	177	7,126
2013	Balance 1 February 2012	Recognised in income	Recognised in equity	Balance 31 January 2013
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	9,960	(9,081)	-	879
Inventories	2,586	(1,135)	-	1,451
Trade and other accruals	3,441	(554)	-	2,887
Provisions for employee benefits	2,963	461	-	3,424
Other	1,095	2,118	-	3,213
Derivative hedge reserve	(560)	-	280	(280)
Equity raising costs capitalised in equity	1,184	(592)	-	592
Intangibles	(3,523)	2,905	-	(618)
Property, plant and equipment	(4,742)	281	-	(4,461)
Net deferred tax assets	12,404	(5,597)	280	7,087
Deferred tax assets	18,951	(5,854)	-	13,097
Deferred tax liabilities	(6,547)	257	280	(6,010)
Net deferred tax assets	12,404	(5,597)	280	7,087

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

15. Trade and other payables

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

Foreign currency risk

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to Note 33.

16. Borrowings

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

Waratah Facility

The Company by executing the "Waratah Receivables Purchase Agreement dated 28 January 1999" and amended as part of the "Sigma Amendment Agreement No. 7" dated 22 January 2014, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 5 February 2016. The limit has been increased from \$125 million to \$175 million and the term is two years. The facility has been refinanced on the same terms and conditions as the previous facility. However, additional flexibility regarding funding drawdowns has been created.

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

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

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

The facility imposes rights and obligations on Sigma with respect to the quality and maintenance of its debtor book, collection of receivables, settlement and reporting to the third party. As at the year ended 31 January 2014, Sigma has complied with its obligations under the facility.

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

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

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

Fair Value

The fair value of borrowings equals their carrying amount as the debt is subject to floating interest rates. The carrying amounts of the Group's borrowings are denominated in Australian dollars. For an analysis of the sensitivity of borrowings to interest rate risk and foreign exchange risk refer to Note 33.

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

17. Provisions

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

Movement in provisions

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

18. Contributed equity

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

(a) Movements in ordinary share capital – the Company

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

(b) Movements in ordinary share capital – Consolidated

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

18. Contributed equity (continued)

(c) Movements in treasury share capital

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

(d) Ordinary Shares

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

(e) Treasury Shares

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

(f) Capital management

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

(g) Share buy-back

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

19. Reserves

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

*Transfer to accumulated losses

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

19. Reserves (continued)

Nature and purpose of reserves

Foreign currency translation reserve

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

Option/performance rights reserve

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

Derivative hedge reserve

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

Employee share reserve

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

20. Expenditure commitments

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

21. Auditors remuneration

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

22. Key management personnel disclosures

a. Key management personnel compensation

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

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

Key management personnel

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

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

Individual Directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosure as permitted by Corporations Regulations 2M.3.03 and 2M.6.04 is provided in the Remuneration Report section of the Directors' Report on pages 12 to 24.

The disclosures in the Remuneration Report are audited.

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

22. Key management personnel disclosures (continued)

b. Equity instrument disclosures relating to key management personnel

The following table details the options and rights issued by the Company to key management personnel.

i. Performance rights issued to key management personnel

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

22. Key management personnel disclosures (continued)

ii. Equity holdings of key management personnel

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

22. Key management personnel disclosures (continued)

iii. Option holdings over ordinary shares of key management personnel

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

23. Related party disclosures

The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group.

Controlled entities

Interests in controlled entities are set out in Note 27.

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

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

Key management personnel

Disclosures relating to key management personnel are set out in Note 22 and in the Remuneration Report.

Other transactions with directors

(a) Purchases by directors or director-related entities

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

Mr D Manuel and his Director-related entities purchased pharmacy products from the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the financial year ended 31 January 2014 was \$4,972,926 (2013 - \$4,890,868).

The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 10 was \$446,958 (2013- \$502,480). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

24. Guarantees

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

Deed of Cross Guarantee

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

25. Litigation settlement expense

(a) Vifor

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

(b) Shareholder class Action

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

26. Contingent Liability

(a) Sale of Clayton land and building

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

(b) Shareholder class action

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

27. Details of controlled entities

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

28. Employee share plans and share based payments

Employee Share Plan

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

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

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

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

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

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

Share based payments

(a) Executive Short Term Incentive Option Plan

The short term incentive (STI) plan for executives of the Group is designed to drive key performance measures aligned to strategy and financial objectives. Pre-defined key performance measures are established each year to ensure the targets are relevant and challenging. Commencing the financial year ending 31 January 2012 the structure of the executive STI plan provides a balance between cash payment and deferred equity reward. (Details of the STI plan are set out on page 16-18 of the Remuneration report).

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

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

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

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

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

(b) Executive Loan funded Share Plan

Commencing the financial year ending 31 January 2012 the Company implemented a loan funded share plan for executives and senior employees. Participants are provided an interest free limited recourse loan to purchase shares in the Company if pre-defined vesting conditions are met three years from grant date. (Details of the LTI plan are set out on page 17-19 of the Remuneration report).

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

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

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

(c) Other Equity Plan

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

Upon commencement, the CEO/Managing Director and Chief Financial Officer were awarded an equity sign on bonus in the form of performance rights. A second grant of performance rights was made to both participants to offset the reduction in the Company's share price following the payment of the special dividend of 15 cents per share to shareholders on 11 May 2011 from the proceeds of the sale of the Pharmaceutical division. Shareholder approval for all sign on performance rights awarded to the CEO/Managing Director was obtained at the 2011 Annual General Meeting. Provided the executives remain employed by the Company, 100% of the performance rights vest on 6 September 2013 (Details of the performance rights are set out on page 19 of the Remuneration report).

Set out below are summaries of performance rights granted:

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

(d) Fair value of options granted

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

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

	STI Plan Tranche 1 Granted 1 February 2013	STI Plan Tranche 2 Granted 1 February 2013	Loan funded shares Granted 1 February 2013	Loan funded shares Granted 1 February 2013
			ROIC Option	TSR Option
Fair value	\$0.6233	\$0.5799	\$0.1363	0.0957

Inputs into the model:

Grant date share price	\$0.6700	\$0.6700	\$0.6700	\$0.6700
Exercise price	\$0.6742	\$0.6742	\$0.6700	\$0.6700
Expected volatility	-	-	30%	30%
Vesting life	1 year	2 years	3 years	3 years
Option life	1 year	2 years	5 years	5 years
Expected dividend yield	7.5%	7.5%	7.5%	7.5%
Risk free interest rate	-	-	2.7%	2.7%

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

28. 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:

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

29. Credit facilities

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

30. Notes to the statement of cash flows

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

31. Parent company financial information

(a) Summary financial information

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

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

(b) Guarantees entered into by parent entity

Carrying amount included in liabilities

- -

The parent entity has provided financial guarantees in respect of loans of subsidiaries amounting to \$nil (2013: \$30.0 million), secured by way of deed over certain Sigma accounts receivable under the Waratah facility.

In addition, there are cross guarantees given by the Company as described in Note 32. No deficiencies of assets exist in any of these entities. No liability was recognised by the parent entity or the consolidated entity in relation to these cross guarantees, as the fair value of the guarantees is immaterial.

(c) Contingent liabilities of the parent entity

Please refer to Note 26 for comment on contingent liability. The parent entity did not have any other contingent liabilities as at 31 January 2014. For information about guarantees given by the parent entity, please see above.

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

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 January 2014 or 31 January 2013.

(e) Parent Company Investment in Subsidiary Companies

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

(f) Receivables from Controlled Entities

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

32. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) the wholly-owned Australian controlled entities listed in Note 27 footnote (a) are relieved from the Corporations Act requirements for the preparation, audit and lodgement of financial reports. These entities which are also referred to in the Directors' Declaration are, together with the Company, all members of the 'Extended Closed Group' as defined under the Class Order and are parties to a Deed of Cross Guarantee dated 20 January 2006 which provides that the parties to the Deed will guarantee to each creditor payment in full of any debt of these entities on winding up of that entity.

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

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

32. Deed of cross guarantee (continued)

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

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

33. Financial instruments

Financial risk management

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

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

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

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

The Group holds the following financial instruments:

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

(a) Market risk

(i) Foreign exchange risk

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

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

Only a minor portion of the Group's supply contracts are sourced from overseas entities and payable in the corresponding local currency. The major currencies were principally United States dollars, Euros and New Zealand dollars. In order to protect against exchange rate movements, during the year the Group entered into forward exchange contracts to purchase United States dollars. These contracts are hedging highly probable inventory purchases and are timed to mature when payments for the purchases are scheduled to be made. At balance date there was 1 contract for UD\$0.232 million outstanding which will mature within 6 months of balance date.

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

33. Financial instruments (continued)

(ii) Cash flow and fair value interest rate risk

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

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

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

(iii) Summarised Sensitivity Analysis

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

Interest rate risk	31 January 2014				31 January 2013			
	Carrying Amount \$'000	Weighted average interest rate %	-1% Profit \$'000	+1% Profit \$'000	Carrying Amount \$'000	Weighted average interest rate %	-1% Profit \$'000	+1% Profit \$'000
<i>Financial assets</i>								
Cash and cash equivalent	67,468	2.2%	(675)	675	112,692	3.5%	(1,127)	1,127
Accounts Receivable	521,932	-	-	-	556,844	-	-	-
Derivatives	18	-	-	-	-	-	-	-
<i>Financial liabilities</i>								
Trade Payables	(327,491)	-	-	-	(375,775)	-	-	-
Borrowings	-	4.5%	-	-	(30,000)	5.3%	300	(300)
Total increase/(decrease)			(675)	675			(827)	827

(b) Credit risk

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

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

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

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

Credit risk further arises in relation to financial guarantees (refer to Note 24) given to certain parties. Such guarantees are only provided in exceptional circumstances and are approved by senior management.

Notes to the consolidated financial statements continued

For the year ended 31 January 2014

33. Financial instruments (continued)

c) Liquidity risk

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

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

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

(d) Fair value measurement

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

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

At balance date there was one level 1 contract for UD\$0.232 million outstanding which will mature within 6 months of balance date.

Interest rate option contracts – cash flow hedges.

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

Interest rate options include caps, floors and collars.

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

There are no interest rate derivatives instruments at balance date.

34. Events subsequent to reporting date

(a) Acquisition of Central Health Care Pty Ltd

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

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

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

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

(b) Dividends

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

Directors' Declaration

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

- (a) the financial statements and notes, set out on pages 26 to 77, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards, the *Corporate Regulations 2001*, and other mandatory professional reporting requirements ; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in Note 27 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC class Order 98/1418.

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

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 January 2014 pursuant to Section 295A of the *Corporations Act 2001*.

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

For and on behalf of the Board.



Mr Brian Jamieson
Chairman

Melbourne
26 March 2014



Mr Mark Hooper
CEO & Managing Director

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

Report on the Financial Report

We have audited the accompanying financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 January 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 26 to 78.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

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

Opinion

In our opinion:

- (a) the financial report of Sigma Pharmaceuticals Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(b).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 24 of the directors' report for the year ended 31 January 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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



DELOITTE TOUCHE TOHMATSU



Tom Imbesi

Partner

Chartered Accountants

Melbourne, 26 March 2014