

# **Sigma Company Limited**

(A.B.N. 44 004 132 923)

## **Australian Stock Exchange Listing Rules Disclosure**

### **Half Year Report For the half year ended 31 July 2004**

<b><u>Contents</u></b>	<b><u>Page</u></b>
Australian Stock Exchange Listing Rules Disclosure	2
Half Year Commentary	3
Directors' Report	9
Consolidated Statements of Financial Performance	10
Consolidated Statements of Financial Position	11
Consolidated Statements of Cash Flows	12
Notes to the Consolidated Financial Statements	13
Directors' Declaration	20
Independent Review Report	21

**The information in this Report is to be read in conjunction with the last annual report and any announcements to the market by Sigma Company Limited during the period.**

**Sigma Company Limited**

(A.B.N. 44 004 132 923)

**Half Year Report**

For the half year ended 31 July 2004  
 compared to prior half year ended 31 July 2003

**Results for Announcement to the Market**

<b>Group Results</b>				<b>A\$'000</b>
Revenues from ordinary activities	Up	13.1%	to	1,037,586
Earnings before interest and tax	Up	39.1%	to	47,038
Profit from ordinary activities after tax attributable to members	Up	42.6%	to	25,022
Net profit for the period attributable to members	Up	42.6%	to	25,022

<b>Dividends</b>	Amount per Ordinary and Investor preference shares	Franked amount per security at 30% tax
<b>Interim dividend</b>	<b>10.5c</b>	<b>10.5c</b>
Previous corresponding period	7.5 c	7.5 c
Record date for determining entitlements to the dividend	<b>Friday, 24 September 2004</b>	

Please refer to the attached commentary for a review and explanation of the financial result.

**SIGMA COMPANY LIMITED**  
**HALF YEAR REPORT**  
**For period ended 31 July 2004**

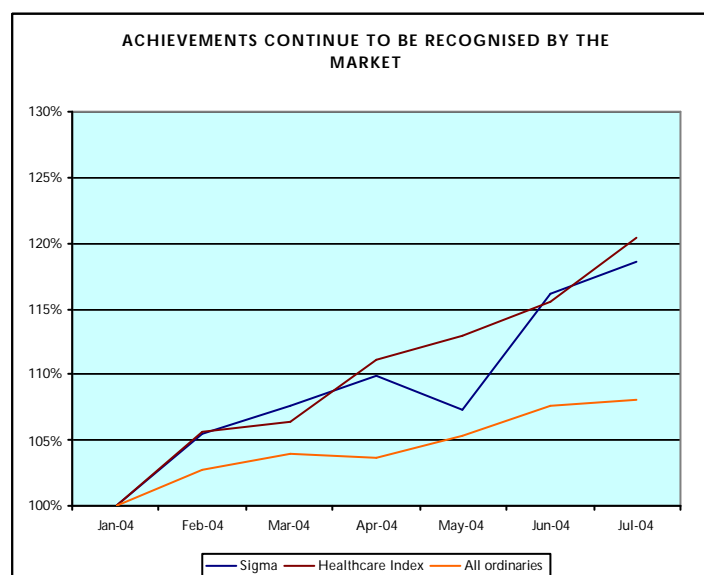
**Group Financial Results – Half Year Summary**

<b>Group Results</b>	<b>2004 \$000</b>	<b>2003 \$000</b>	<b>Change %</b>
Sales Revenue	<b>1,021,813</b>	903,959	Up 13.0%
Earnings before interest and tax (EBIT)	<b>47,038</b>	33,826	Up 39.1%
Profit after tax	<b>25,022</b>	17,548	Up 42.6%
Earnings per share	<b>17.7c</b>	12.5c	Up 41.6%
Interim dividend per share	<b>10.5c</b>	7.5c	Up 40.0%
EBIT/Sales	<b>4.6%</b>	3.7%	
Capital Employed	<b>486,147</b>	455,228	Up 6.8%
Return on capital employed (ROCE) *	<b>19.4%</b>	17.2%	

\* Prior year adjusted for timing of Herron acquisition.

**Key Measures**

**EBIT UP 39.1%**  
**PAT UP 42.6%**  
**ROCE OF 19.4%**



## Group Earnings Performance

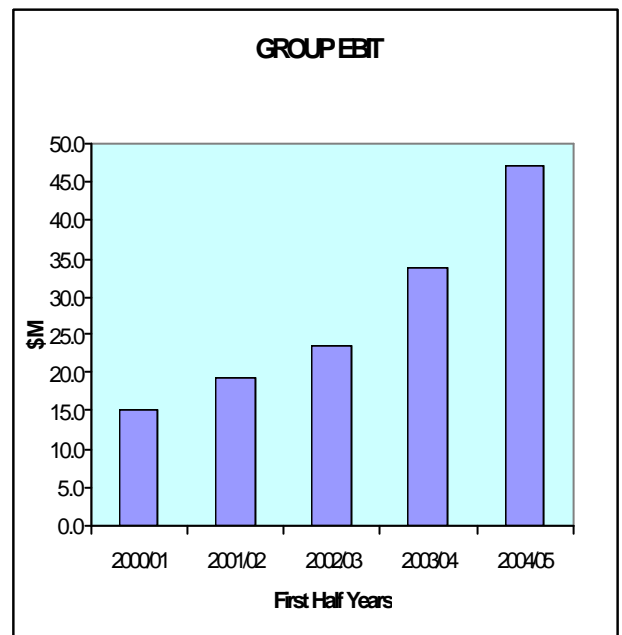
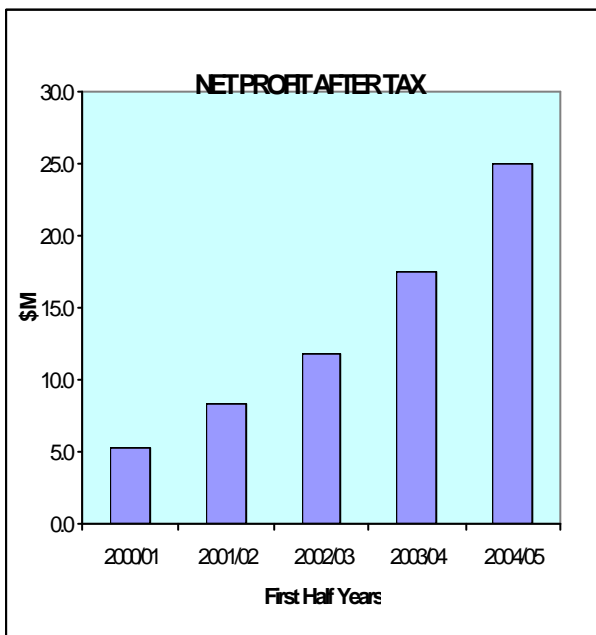
**Group sales** for the 6 months to 31 July have exceeded the one billion-dollar mark for the first time, reaching \$1.02 billion or a 13.0% increase over the corresponding period last year. Sales growth was 17.9% in the Pharmaceutical business and 13.1% in the Healthcare businesses. The key drivers in each business were an extra 3 months of Herron sales in Pharmaceuticals compared to the corresponding period last year, and underlying Pharmaceutical Benefits Scheme growth combined with continued market share growth in Healthcare.

**Earnings Before Interest and Tax (EBIT)** has grown to \$47.04 million, an increase of 39.1% compared to the first half of 2003/04.

The increase in sales and EBIT have contributed towards strong **profit after tax (PAT)** growth for the period to \$25.02 million, up 42.6% over the corresponding period last year. As illustrated in the PAT graph, this represents the seventh consecutive half year reflecting growth above 30%. The result also reflects the inclusion of a full 6 months contribution from the Herron business compared to 3 months in 2003/04.

### Outlook

The first half result is consistent with previous guidance provided to the market. The outlook remains strong and we confirm our full year PAT growth forecast of 20-25%.



## Divisional Earnings Performance

### Pharmaceutical Business

Group Results	2004 \$000	2003 \$000	Change %
Sales Revenue	159,291	135,140	Up 17.9%
Earnings before interest and tax (EBIT)	29,330	23,232	Up 26.2%
Profit before tax	25,444	20,338	Up 25.1%
EBIT/Sales	18.4%	17.2%	
Return on capital employed (ROCE)	19.2%	21.0%	

The Pharmaceutical business has consolidated during the first half with rationalisation of the range of products manufactured and a significant review of our facilities strategy. Growth in the Pharmaceutical business has continued, albeit at a slower rate than expected as a result of some product availability issues.

Sigma's ongoing commitment to regulatory compliance has seen costs increase considerably during the period, and is expected to add approximately \$4 million to \$5 million in costs per annum.

A detailed facilities strategy is in progress that will help establish the foundations for the future requirements of the business and place Sigma in a stronger position.

### Healthcare Business

Group Results	2004 \$000	2003 \$000	Change %
Sales Revenue	890,423	787,062	Up 13.1%
Earnings before interest and tax (EBIT)	20,476	13,229	Up 54.8%
Profit before tax	14,367	8,567	Up 67.7%
EBIT/Sales	2.3%	1.7%	
Return on capital employed (ROCE)	24.7%	15.8%	

The Healthcare business has grown sales at 13.1% over the first half, well ahead of average industry growth. An EBIT to Sales ratio of 2.3% is the highest level achieved by the business to date.

Our business strategy is to continue to improve the level of service offered to our customers, whilst constraining our costs of doing business. Implementation of the new integrated Information Technology system is progressing well and will provide greater opportunity to improve our service and reduce costs as it comes on line over the next 12 months.

## Capital Management Performance

***Return on Capital Employed (ROCE)*** continues to be a key measure in the performance of Sigma. The graph below highlights the significant improvement made in ROCE, which has improved to 19.4% or a 12.8% increase compared with the corresponding period last year.

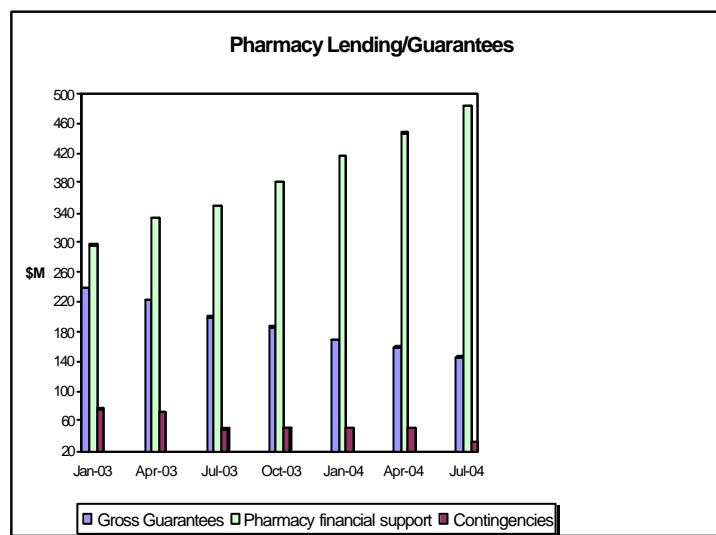
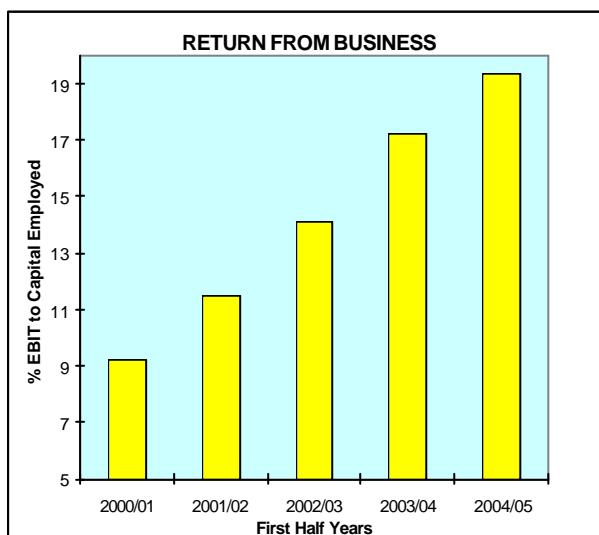
Importantly, this growth in ROCE has been achieved at a time of significant growth and investment for the business, reflecting sound business decision-making practices. Sigma's commitment to reinvesting in the business has seen brand acquisitions in the Pharmaceutical business, the implementation of the new integrated Information Technology solution in the Healthcare business, and continued development of our Retail strategy.

A key component of our capital management has been the focus on increasing the level of support provided to existing and prospective pharmacists, whilst reducing the level of direct exposure for Sigma.

This program has been very successful, with significant growth in pharmacists adopting the financing packages available in conjunction with the major Banks. As can be seen from the graph below, the level of support for pharmacists has grown whilst Sigma's level of contingent exposure continues to reduce.

### Outlook

With continued sound business management Sigma expects a ROCE of around 20% and will look for further improvements, compared to our weighted average cost of capital of approximately 12%.



# Sigma Company Limited

## Half Year Report

<b>Other key performance indicators</b>	<b>31 Jul 2004 A\$'000</b>	31 Jul 2003 A\$'000	<b>% mvnt</b>
Sales revenue	<b>1,021,813</b>	903,959	13.0%
Other revenue	<b>15,773</b>	13,189	19.6%
Total revenue from ordinary activities	<b>1,037,586</b>	917,148	13.1%
Earnings before interest, tax, depreciation & amortisation (EBITDA)	<b>56,681</b>	42,531	33.3%
Earnings before interest and tax (EBIT):			
- Group	<b>47,038</b>	33,826	39.1%
- Pharmaceutical division	<b>29,330</b>	23,232	26.2%
- Healthcare division	<b>20,476</b>	13,229	54.8%
Capital employed	<b>486,147</b>	455,228	6.8%
Return on capital employed (1)	<b>19.4%</b>	17.2%	12.8%
EBIT to sales ratio:			
- Group	<b>4.6%</b>	3.7%	24.3%
- Pharmaceutical division	<b>18.4%</b>	17.2%	7.0%
- Healthcare division	<b>2.3%</b>	1.7%	35.3%
Earnings per share (basic)	<b>17.7 cps</b>	12.5 cps	41.6%
Net tangible assets per share	<b>79 cps</b>	62 cps	27.4%

(1) Prior year capital employed adjusted for Herron acquisition (\$61,982,000)

## Shareholder's Calendar

### 2005 \*

March	21	Final profit result and final dividend announcement
	22	Ex-dividend date
	29	Record Date
April	12	Final dividend payment
May	25	Annual General Meeting, Melbourne 11am

\* Dates may be subject to change.

## Stakeholder Queries

### Share Registry Enquires:

Computershare Investor Services Pty Ltd  
GPO Box 2975  
Melbourne Vic 8060  
Australia  
Telephone (within Australia): 1300 850 505  
Telephone (International): +61 3 9415 4000  
E-mail: [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au)

### Company Enquiries:

James Orr  
Company Secretary  
Locked Bag 268  
Croydon Vic 3136  
Australia

Gary Woodford  
Investor Relations Manager  
Locked Bag 268  
Croydon Vic 3136  
Australia  
[investor.relation@signet.com.au](mailto:investor.relation@signet.com.au)

Tel: +61 3 9839 2800  
Fax: +61 3 9839 2811

Tel: +61 3 9839 2800  
Fax: +61 3 9839 2811

The Half Year Report and other company information can be found on Sigma's website at [www.sigmaco.com.au](http://www.sigmaco.com.au)

SIGMA COMPANY LIMITED  
Registered Office:

ABN 44 004 132 923  
1408 Centre Road, Clayton VIC 3168

# Directors' Report

Sigma Company Limited

For the half year ended 31 July 2004

Your directors present their report on the consolidated entity, consisting of Sigma Company Limited and the entities it controlled at the end of, or during, the half year ended 31 July 2004.

## Directors

The following persons were directors of Sigma Company Limited during the half year and up to the date of this report:

Dr J W Stocker

Mr E R de Alwis

Mr L C Butler

Professor W N Charman

Mr B Jamieson

Mr E F Murdoch

Ms L B Nicholls

Mr W J Scott

Mr H K Windle

## Review of operations

The consolidated entity's sales revenue for the half year was \$1,021,813,000 compared with \$903,959,000 for the corresponding period in 2003. The consolidated entity's earnings before interest and tax for the half year was \$47,038,000 compared with \$33,826,000 for the corresponding period in 2003. The consolidated entity's net profit attributable to members of the Company for the half year was \$25,022,000 compared with \$17,548,000 for the corresponding period in 2003.

Further details of the operations of the consolidated entity during the half year are attached to this financial report.

## Rounding

The Company is of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission and, in accordance with this Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars.

This report is made in accordance with a resolution of the Board of Directors, and is signed for and on behalf of the directors.

**Linda B Nicholls**  
**Director**

**Elmo de Alwis**  
**Managing Director**

Melbourne  
8 September 2004

## Consolidated Statements of Financial Performance

Sigma Company Limited

For the half year ended 31 July 2004

	Refer Note	31 July 2004 A\$'000	31 July 2003 A\$'000
<b>Sales revenue</b>	3	<b>1,021,813</b>	903,959
Cost of sales of goods		<b>(904,441)</b>	(804,388)
Gross profit		117,372	99,571
Other revenue	3	<b>15,773</b>	13,189
Warehousing and delivery		<b>(26,782)</b>	(24,000)
Marketing and sales		<b>(32,393)</b>	(29,077)
Administration and other expenses		<b>(26,740)</b>	(25,553)
Borrowing costs	3	<b>(10,055)</b>	(7,589)
<b>Profit from ordinary activities before income tax</b>		<b>37,175</b>	26,541
Income tax expense relating to ordinary activities	5	<b>(12,153)</b>	(8,993)
<b>Net profit attributable to members of Sigma Company Limited</b>		<b>25,022</b>	17,548
<b>Adjustments recognised directly in equity</b>			
Net exchange difference on translation of financial report of foreign controlled entity		(77)	80
Net (decrease) in asset revaluation reserve		-	(976)
<b>Total adjustments attributable to members of Sigma Company Limited recognised directly in equity</b>		<b>(77)</b>	(896)
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>		<b>24,945</b>	16,652
<b>Earnings per share (EPS)</b>			
		<b>Cents</b>	Cents
Basic EPS		<b>17.7</b>	12.5
Diluted EPS		<b>17.6</b>	12.5

The above Statements of Financial Performance should be read in conjunction with the accompanying notes.

## Consolidated Statements of Financial Position

Sigma Company Limited

As at 31 July 2004

	Refer Note	<b>31 July 2004 A\$'000</b>	31 January 2004 A\$'000
<b>Current assets</b>			
Cash assets		<b>8,944</b>	12,724
Receivables		<b>263,725</b>	221,835
Inventories		<b>202,972</b>	179,297
Prepayments		<b>9,054</b>	4,156
<b>Total current assets</b>		<b>484,695</b>	418,012
<b>Non-current assets</b>			
Receivables		<b>12,685</b>	10,376
Investments		<b>22</b>	22
Property, plant and equipment		<b>119,955</b>	120,189
Intangible assets		<b>220,310</b>	221,867
Deferred tax assets		<b>12,594</b>	11,539
<b>Total non-current assets</b>		<b>365,566</b>	363,993
<b>Total assets</b>		<b>850,261</b>	782,005
<b>Current liabilities</b>			
Payables		<b>315,726</b>	244,925
Interest bearing liabilities		<b>78,672</b>	95,111
Current tax liabilities		<b>11,508</b>	12,942
Provisions		<b>11,117</b>	10,908
<b>Total current liabilities</b>		<b>417,023</b>	363,886
<b>Non-current liabilities</b>			
Payables		<b>9,265</b>	11,715
Interest bearing liabilities		<b>84,500</b>	73,475
Deferred tax liabilities		<b>3,169</b>	3,349
Provisions		<b>4,385</b>	4,982
<b>Total non-current liabilities</b>		<b>101,319</b>	93,521
<b>Total liabilities</b>		<b>518,342</b>	457,407
<b>Net assets</b>		<b>331,919</b>	324,598
<b>Equity</b>			
Contributed equity	6	<b>235,773</b>	235,684
Reserves		<b>12,562</b>	12,639
Retained profits		<b>83,584</b>	76,275
<b>Total equity</b>		<b>331,919</b>	324,598

The above Statements of Financial Position should be read in conjunction with the accompanying notes.

## Consolidated Statements of Cash Flows

Sigma Company Limited

For the half year ended 31 July 2004

	<b>31 July 2004 A\$'000</b>	31 July 2003 A\$'000
<b>Inflows (outflows)</b>		
<b>Cash flows from operating activities</b>		
Receipts from customers (GST inclusive)	<b>1,096,108</b>	983,933
Payments to suppliers and employees (GST inclusive)	<b>(1,042,172)</b>	(915,372)
	<b>53,936</b>	68,561
Interest received	<b>192</b>	304
Borrowing costs	<b>(10,014)</b>	(7,730)
Income taxes paid	<b>(17,287)</b>	(12,010)
<b>Net cash flows from operating activities</b>	<b>26,827</b>	49,125
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<b>(4,300)</b>	(3,672)
Proceeds from sale of property, plant and equipment	<b>27</b>	57
Payment for controlled entities, net of cash acquired	<b>-</b>	(89,258)
Payments for intangibles	<b>(3,297)</b>	-
<b>Net cash flows from investing activities</b>	<b>(7,570)</b>	(92,873)
<b>Cash flows from financing activities</b>		
Net proceeds from borrowings	<b>4,722</b>	54,319
Principal repayments under finance leases	<b>(10,136)</b>	-
Proceeds from issues of securities	<b>89</b>	-
Dividends paid	<b>(17,713)</b>	(11,269)
<b>Net cash flows from financing activities</b>	<b>(23,038)</b>	43,050
<b>Net (decrease) in cash held</b>	<b>(3,781)</b>	(698)
Cash at the beginning of the period	<b>12,724</b>	13,875
Effects of exchange rate changes on cash	<b>1</b>	80
<b>Cash at the end of the period</b>	<b>8,944</b>	13,257

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.

## **Notes to the Consolidated Financial Statements**

Sigma Company Limited

For the half year ended 31 July 2004

### **Note 1 - Basis of Financial Report Preparation**

This general purpose financial report for the interim half year reporting period ended 31 July 2004 has been prepared in accordance with Accounting Standard AASB 1029 Interim Financial Reporting, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 January 2004 and any public announcements made by Sigma Company Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. Comparative information is reclassified where appropriate to enhance comparability.

## Notes to the Consolidated Financial Statements continued

Sigma Company Limited

For the half year ended 31 July 2004

### Note 2 - Segment Information

#### Business segments

The consolidated entity is organised into the Pharmaceutical and Healthcare Divisions by service type.

#### Detail of segments

Pharmaceutical - includes contract manufacture for Australian and overseas pharmaceutical companies and the manufacture, sale and marketing of Sigma, Herron and other allied products.

Healthcare - includes wholesale and distribution to pharmacy of prescription and over the counter products, management of banner groups and the development and provision of private label products.

Corporate - includes corporate head office costs and all items associated with the New Zealand operations.

#### Geographical segments

The consolidated entity operates predominantly as a manufacturer, distributor and marketer of pharmaceutical and allied products through the pharmacy and grocery channels within Australia.

July 2004 Business segments	Corporate & Intersegment eliminations				Consolidated A\$'000
	Pharmaceutical A\$'000	Healthcare A\$'000	Unallocated A\$'000	A\$'000	
Segment assets	374,199	457,372	20,071	(10,325)	841,317
Cash assets	-	-	8,944	-	8,944
Total assets per statement of financial position					850,261
Segment liabilities	69,418	291,389	4,688	(10,325)	355,170
Interest bearing liabilities	-	-	163,172	-	163,172
Total liabilities per statement of financial position					518,342
	3,924	1,844	3,294		
Acquisition of property, plant and	5,273	2,324	-	-	7,597
Depreciation and amortisation	7,298	1,312	1,033	-	9,643
Other non-cash expenses	2,849	857	(9)	-	3,697
Sales to external customers	131,390	890,423	-	-	1,021,813
Intersegment sales	27,901	-	-	(27,901)	-
Total sales revenue	159,291	890,423	-	(27,901)	1,021,813
Other non-interest segment revenue	1,745	13,585	251	-	15,581
Total revenue before interest	161,036	904,008	251	(27,901)	1,037,394
Profit from ordinary activities before	29,330	20,476	(2,768)	-	47,038
Net interest expense	(3,886)	(6,109)	132	-	(9,863)
Profit from ordinary activities before	25,444	14,367	(2,636)	-	37,175
Income tax expense					(12,153)
Profit from ordinary activities after					25,022

Inter-segment transfers are on an arm's length basis.

## Notes to the Consolidated Financial Statements continued

Sigma Company Limited

For the half year ended 31 July 2004

### Note 2 - Segment Information (continued)

<b>July 2003 Business segments</b>	<b>Pharmaceutical A\$'000</b>	<b>Healthcare A\$'000</b>	<b>Corporate &amp; Unallocated A\$'000</b>	<b>Intersegment eliminations A\$'000</b>	<b>Consolidated A\$'000</b>
Segment assets	359,601	408,920	13,749	(4,793)	777,477
Cash assets	-	-	13,257	-	13,257
Total assets per statement of financial position					790,734
Segment liabilities	76,612	241,377	4,480	(220)	322,249
Interest bearing liabilities	-	-	166,564	-	166,564
Total liabilities per statement of financial position					488,813
Acquisition of property, plant and equipment, intangibles and other non- current segment assets	118,215	12,145	-	-	130,360
Depreciation and amortisation expense	6,333	2,105	267	-	8,705
Other non-cash expenses	468	4,313	-	-	4,781
Sales to external customers	116,897	787,062	-	-	903,959
Intersegment sales	18,243	-	-	(18,243)	-
Total sales revenue	135,140	787,062	-	(18,243)	903,959
Other non-interest segment revenue	490	12,126	269	-	12,885
Total revenue before interest	135,630	799,188	269	(18,243)	916,844
Profit from ordinary activities before interest and income tax	23,232	13,229	(2,635)	-	33,826
Net interest expense	(2,894)	(4,662)	271	-	(7,285)
Profit from ordinary activities before income tax	20,338	8,567	(2,364)	-	26,541
Income tax expense					(8,993)
Profit from ordinary activities after income tax					17,548

Inter-segment transfers are on an arm's length basis.

The results of the Herron Group have been included within the Pharmaceutical segment from 1 May 2003, the effective date of its acquisition.

## Notes to the Consolidated Financial Statements continued

Sigma Company Limited

For the half year ended 31 July 2004

<b>31 July</b>	31 July
<b>2004</b>	2003
<b>A\$'000</b>	A\$'000

### Note 3 - Profit from Ordinary Activities

Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance for the half year:

#### (i) Revenue from operating activities

Sale of goods	1,021,813	903,959
Commissions and fees	906	871
Membership income	5,948	5,704
Marketing services and promotional income	4,355	3,585
	<u>11,209</u>	<u>10,160</u>
<b>Total revenue from operating activities</b>	<b>1,033,022</b>	<b>914,119</b>

#### Revenue from outside the operating activities

Interest revenue	192	304
Other revenues	4,372	2,725
	<u>4,564</u>	<u>3,029</u>
<b>Total revenue from ordinary activities</b>	<b>1,037,586</b>	<b>917,148</b>

#### (ii) Expenses

Amortisation of other intangibles	3,672	3,314
Amortisation of goodwill	1,390	951
<b>Total amortisation</b>	<u>5,062</u>	<u>4,265</u>
<b>Total depreciation</b>	<b>4,581</b>	<b>4,440</b>
Borrowing costs	10,055	7,589
Interest revenue	(192)	(304)
<b>Net borrowing costs</b>	<u>9,863</u>	<u>7,285</u>

## Notes to the Consolidated Financial Statements continued

Sigma Company Limited

For the half year ended 31 July 2004

	<b>31 July</b>	31 July
	<b>2004</b>	2003
	<b>A\$'000</b>	A\$'000

### Note 4 - Dividends

#### Dividends paid during the half-year

The following amounts have been paid as final dividends in respect of the prior financial year:

Class of share	Rate per Share Cents	Rate per Share Cents	Rate per Share Cents	Rate per Share Cents
Ordinary shares	12.5	17,694	8.0	11,252
<b>Preference shares:</b>				
Investor shares	12.5	18	8.0	15
8.5% Preference shares	4.25	1	4.25	2
		<u>17,713</u>		<u>11,269</u>

Subsequent to the end of the half year the Directors have declared the following interim dividends:

Class of share	Rate per Share Cents	Franking per Share Cents	Amount A\$'000	Date Payable
Ordinary shares	10.5	10.5	14,870	18 October 2004
<b>Preference shares:</b>				
Investor shares	10.5	10.5	14	18 October 2004
8.5% Preference shares	4.25	4.25	1	18 October 2004
			<u>14,885</u>	

The record date for determining entitlements to the dividend is 24th September 2004.

Shares issued under the forthcoming employee share plan issue will be entitled to the interim dividend. No amount has been included above in respect of this share issue.

	<b>31 July</b>	31 July
	<b>2004</b>	2003
	<b>A\$'000</b>	A\$'000

### Note 5 - Income Tax

The income tax expense for the half year differs from the amount calculated on the profit. The differences are reconciled as follows:

Profit from ordinary activities before income tax expense	<u>37,175</u>	26,541
Income tax calculated at 30%	11,153	7,962
Tax effect of permanent differences:		
- Goodwill and intangibles amortisation	1,053	738
- Non deductible depreciation	101	128
- Other permanent differences	(45)	628
(Over)/under provision in prior years	(109)	(463)
<b>Income tax expense relating to ordinary activities</b>	<u>12,153</u>	<u>8,993</u>

### Australian Tax Consolidation

In accordance with UIG 39 "Effect of Proposed Tax Consolidation Legislation on Deferred Tax Balances", the consolidated entity is continuing with its assessment of the impact of the tax consolidation legislation on income tax expense and deferred tax assets and liabilities. The final assessment will be completed during the current financial year.

## Notes to the Consolidated Financial Statements continued

Sigma Company Limited

For the half year ended 31 July 2004

	31 July 2004 No.	31 July 2003 No.	31 July 2004 A\$'000	31 July 2003 A\$'000
<b>Note 6 - Equity Securities Issued During the Half Year</b>				
<b>Fully paid ordinary shares</b>				
<b>Balance at the beginning of the half year</b>	<b>141,555,113</b>	138,642,010	<b>235,323</b>	221,164
<b>Shares issued in respect of -</b>				
Senior Executive Option Plan	45,090	-	89	-
Conversion of Preference Shares	18,490	-	40	-
Part consideration for acquisition of the Herron Group	-	2,000,000	-	9,120
<b>Total movement</b>	<b>63,580</b>	2,000,000	<b>129</b>	9,120
<b>Closing balance</b>	<b>141,618,693</b>	140,642,010	<b>235,452</b>	230,284
<b>Investor (preference) share capital</b>	<b>130,637</b>	183,857	<b>287</b>	404
<b>8.5% Investor (preference) share capital</b>	<b>32,935</b>	36,708	<b>34</b>	37
<b>Total contributed equity</b>			<b>235,773</b>	230,725

### Note 7 - Contingent Liabilities

#### Pharmacist guarantees

Sigma provides financial guarantees to a number of banks in relation to the borrowings of individual pharmacists. These borrowings relate to the financing of pharmacies. Sigma is therefore exposed to the financial viability of such pharmacies and the risk of their financial failure.

As at 31 July 2004, 272 guarantees (January 2004 - 339) had been provided. The amount outstanding in respect of these guarantees at this date was \$146 million (January 2004 - \$170 million). Sigma has entered into formal capping arrangements with the major banks which has had the effect of reducing the contingent liability under the guarantee program at 31 July 2004 to \$31 million (January 2004 - \$52 million).

### Note 8 - Impact of Adopting Australian Equivalents to International Financial Reporting Standards

The Australian Accounting Standards Board (AASB) is adopting IFRS for application to reporting periods beginning on or after 1 January 2005. The AASB will issue AASB equivalents to IFRS, and Urgent Issues Group abstracts corresponding to International Financial Reporting Interpretations adopted by the International Accounting Standards Board. These Australian pronouncements will be known as Australian International Financial Reporting Pronouncements (AIFRPs). The adoption of AIFRPs will be first reflected in the Sigma Group's financial statements for the half year ending 31 July 2005 and the year ending 31 January 2006.

The Company has established a project team to manage the transition to AIFRPs, which reports regularly to the Company's Risk Management and Audit Committee. To date the project team has analysed most of the AIFRPs and has identified a number of accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 - First-time Adoption of Australian International Financial Reporting Pronouncements. Some of these choices are still being analysed to determine the most appropriate accounting policy for the Group.

Major changes identified to date that will be required to the Group's existing accounting policies include the following:

#### a. Goodwill

Under the Australian equivalent to IFRS 3 Business Combinations, amortisation of goodwill will be prohibited, and will be replaced by annual impairment testing. This will result in a change to the current accounting policy, whereby goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise and not exceeding 20 years. Under the new policy, amortisation will no longer be charged however, goodwill will be required to be written down to the extent it is impaired.

#### b. Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of the net selling price and value in use. This will result in a change to the current accounting policy which, determines the recoverable amount of an asset on the basis of both discounted and undiscounted cash flows.

## Notes to the Consolidated Financial Statements continued

Sigma Company Limited

For the half year ended 31 July 2004

---

### Note 8 - Impact of Adopting Australian Equivalents to International Financial Reporting Standards continued

#### c. Income Tax

Under the Australian equivalent to IAS 12 Income Taxes, deferred tax balances are determined using the balance sheet method, which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, where items are only tax-effected if they are included in the determination of pre-tax accounting profit and/or taxable income and current and deferred taxes cannot be recognised directly in equity.

#### d. Share-Based Payments

Under the Australian equivalent to IFRS 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in the Statement of Financial Performance.

This will result in a change to the current accounting policy, whereby no expense is recognised for equity-based compensation.

#### e. Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories, which will in turn determine the accounting treatment of the item. This will result in a change to the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on the balance sheet.

#### f. Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement, the group is required to meet specific criteria as outlined in the standard in order for hedging instruments to qualify for hedge accounting treatment. Changes in the fair value of those instruments will be recognised directly in equity until the underlying hedged transaction occurs, with these changes offsetting changes in the fair value of the underlying asset or liability. Currently, the costs or gains arising under contracts together with any realised or unrealised gains from remeasurement are included in assets or liabilities as deferred losses or deferred gains.

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition to AIFRPs, as not all standards have been analysed as yet, and some decisions have not yet been made where choices of accounting policies are available. For these reasons it is not yet possible to quantify the impact of the transition to AIFRPs on the Group's financial position and reported results.

---

## **Directors' Declaration**

Sigma Company Limited

The Directors declare that the financial statements and notes set out on pages 9 to 19:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the consolidated entity's financial position as at 31 July 2004 and of its performance, as represented by the results of its operations and cashflows, for the half year ended on that date.

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Sigma Company Limited and its controlled entities will be able to pay its debts as and when they become due and payable.

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

For and on behalf of the Board:

**Linda B Nicholls**  
**Director**

**Elmo de Alwis**  
**Managing Director**

Melbourne  
8 September 2004

**Independent review report to the members of  
Sigma Company Limited**

PricewaterhouseCoopers  
ABN 52 780 433 757

333 Collins Street  
MELBOURNE VIC 3000  
GPO Box 1331L  
MELBOURNE VIC 3001  
DX 77 Melbourne  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 3 8603 1000  
Facsimile +61 3 8603 1999

**Matters relating to the electronic presentation of the  
reviewed financial report**

This review report relates to the financial report of Sigma Company Limited (the Company) for the half-year ended 31 July 2004 included on Sigma Company Limited's web site. The Company's directors are responsible for the integrity of the Sigma Company Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide any assurance on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of Sigma Company Limited:

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Sigma Group (defined below) as at 31 July 2004 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

**Scope**

**The financial report and directors' responsibility**

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Sigma Group (the consolidated entity), for the half-year ended 31 July 2004. The consolidated entity comprises both Sigma Company Limited (the Company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

## Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the consolidated entity's financial position, and its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel, and
- analytical procedures applied to financial data.

When this review report is included in a document containing information in addition to the financial report, our procedures include reading the other information to determine whether it contains any material inconsistencies with the financial report.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit, and accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

PricewaterhouseCoopers

Andrew J Mill  
Partner

Melbourne  
8 September 2004