



Sigma Pharmaceuticals Limited

ABN 15 008 417 403

Interim report

For the half year ended 31 July 2007

Lodged with the Australian Stock Exchange under Listing Rule 4.2

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Sigma will host a presentation to analysts and media on Thursday 20 September 2007 at 11.00am with all presentation material posted to Sigma's website (www.sigmaco.com.au)

For further information, please contact:

Elmo de Alwis

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Sigma Pharmaceuticals Limited

ABN 15 008 417 403

Results for announcement to the market

For the half year ended 31 July 2007
compared to prior half year period ended 31 July 2006

Group Results				\$000
Sales revenue	up	14%	to	1,433,993
Total revenue	up	14%	to	1,453,809
Earnings before interest, tax, depreciation and amortisation (EBITDA)	down	20%	to	80,296
- <i>pre rationalisation and restructuring costs</i>	<i>down</i>	<i>12%</i>	<i>to</i>	<i>89,276</i>
Earnings before interest and tax (EBIT)	down	25%	to	62,345
- <i>pre rationalisation and restructuring costs</i>	<i>down</i>	<i>15%</i>	<i>to</i>	<i>71,325</i>
Profit before tax attributable to members	down	38%	to	42,486
- <i>pre rationalisation and restructuring costs</i>	<i>down</i>	<i>26%</i>	<i>to</i>	<i>51,465</i>
Profit after tax attributable to members	down	39%	to	30,315
- <i>pre rationalisation and restructuring costs</i>	<i>down</i>	<i>27%</i>	<i>to</i>	<i>36,601</i>

Group Ratios				
Earnings per share				
Basic EPS	down	39%	to	3.2c
- <i>pre rationalisation and restructuring costs</i>	<i>down</i>	<i>28%</i>	<i>to</i>	<i>3.9c</i>
EBIT/Sales margin	down	34%	to	4.3%
- <i>pre rationalisation and restructuring costs</i>	<i>down</i>	<i>25%</i>	<i>to</i>	<i>5.0%</i>

Dividends	Amount per security	Franked amount per security at 30% tax rate
Interim dividend	3.0c	100%
Interim dividend - previous corresponding period	3.6c	100%
The record date for determining entitlements to the interim dividend	2 October 2007	
The interim dividend will be paid on	19 October 2007	

Refer attached commentary and analysis for explanation of figures shown in this report.

Sigma Pharmaceuticals Limited

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Commentary and analysis

The table below provides a summary of the group's financial performance for the half year ending 31 July 2007.

Group Financial Results – Half Year Summary

Group Results	31 July 2007 \$000	31 July 2006 \$000	Change %
Sales revenue	1,433,993	1,260,477	up 13.8%
EBITDA	80,296	100,066	down 19.8%
- before rationalisation and restructuring costs	89,276	101,113	down 11.7%
Depreciation and amortisation	17,951	17,177	up 4.5%
Earnings before interest and tax (EBIT)	62,345	82,889	down 24.8%
- before rationalisation and restructuring costs	71,325	83,936	down 15.0%
Net profit after tax (NPAT)	30,315	49,355	down 38.6%
- before rationalisation and restructuring costs	36,601	50,088	down 26.9%
EBIT/Sales (EBIT margin)	4.3%	6.6%	down 33.9%
- before rationalisation and restructuring costs	5.0%	6.7%	down 25.3%
Basic EPS	3.2c	5.2c	down 38.7%
- before rationalisation and restructuring costs	3.9c	5.4c	down 27.6%
Dividend per share	3.0c	3.6c	down 16.6%
Capital employed	1,594,470	1,584,485	Up 1%

The current year has been a challenging one for Sigma and the industry as evidenced by the above results which are in line with guidance provided for the first half. Market share has grown despite increased competition within the industry with the Embrace program being a key factor; this has contributed to the strong increase in sales when compared to the previous half year.

Despite the strong sales growth, margins have declined when compared with the prior half year; this is a result of increased discounting and rebates by generics suppliers, increased competition and price decreases on certain key licensed generics, disproportionate promotional spend to support the Herron brand incurred in the first half, and the impact of the government's Community Service Obligation ("CSO") program.

Outlook: Whilst a much stronger performance is still expected in the second half of the year, full year underlying NPAT is now forecast to be in the range of \$88 million to \$93 million, excluding the interest impact associated with the Buyback.

Divisional Earnings Performance

Pharmaceutical Business

Divisional Results (pre rationalisation and restructuring)	31 July 2007 \$000	31 July 2006 \$000	Change %
Sales revenue	352,681	368,715	down 4.3%
Less: intercompany sales	44,076	49,628	down 11.2%
Net external sales	308,605	319,087	down 3.3%
EBITDA	67,045	78,698	down 14.8%
Depreciation and amortisation	15,430	14,773	up 4.4%
Earnings before interest and tax (EBIT)	51,615	63,925	down 19.3%
EBIT/Sales (EBIT margin)	14.6%	17.3%	down 15.6%
Capital employed	1,443,259	1,441,898	up 0.1%
Return on capital employed	7.2%	8.9%	down 19.3%

The Dandenong facility upgrade was completed during the period and the costs were within budget. While the current period has carried the majority of the cost of the rationalisation and restructuring, the upgraded facility will provide Sigma with increased capacity and establish a manufacturing platform for future growth for the remainder of the year and future periods.

Sales and profit have declined when compared to the prior half year; this is partly due to sales from a number of our licensed generic products: Simvar, Lipostat and Xydep decreasing over the prior corresponding period due to the expiry of their exclusive generic status, increased competition and price decreases.

In addition, the sales and margins in the current period have been impacted by increased discounting in the market as generics' providers have sought to gain market share in the lead up to the commencement of a new price monitoring mechanisms that came into effect from August this year.

Profitability has also been impacted by disproportionate promotional spend being incurred during the first half when compared to the prior corresponding period, reflecting an reinvestment in the Herron brand.

Healthcare Business

Divisional Results (pre rationalisation and restructuring)	31 July 2007 \$000	31 July 2006 \$000	Change %
Sales revenue	1,125,388	941,390	up 19.5%
EBITDA	25,382	25,229	up 0.6%
Depreciation and amortisation	2,371	2,240	up 5.8%
Earnings before interest and tax (EBIT)	23,011	22,989	up 0.1%
EBIT/Sales (EBIT margin)	2.0%	2.4%	down 16.7%
Capital employed	183,548	199,547	down 8.0%
Return on capital employed	25.1%	23.0%	up 8.8%

The Healthcare industry is continuing to undergo significant regulatory change; this has increased competition within the industry with greater rebates and discounts being provided to customers to maintain market share.

Whilst achieving a significant increase in sales revenue, first half earnings have been impacted by the introduction of the CSO which was not in place in the prior corresponding period. Sigma intends to continue to vigorously pursue its rights under the CSO as it strongly believes the current outcome is not consistent with the original stated aims of the scheme.

Shareholder information

Dividends

The Directors of Sigma Pharmaceuticals Limited have declared an interim dividend of 3.0 cents per ordinary share, fully franked and payable on 19 October 2007. This dividend is in proportion with the prior year interim dividend, given revised full year guidance.

Shareholder's Calendar

2008 *

March	25	Final profit result and final dividend announcement
April	1	Ex-dividend date
April	7	Record Date
April	23	Final dividend payment
May	21	Annual General Meeting Melbourne 11am

* Dates may be 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:

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Managing Director
Locked Bag 268
Croydon VIC 3136
Australia

Telephone: +61 418377306

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

SIGMA PHARMACEUTICALS LIMITED

ABN 15 008 417 403

Registered Office:

96 Merrindale Drive, Croydon VIC 3136



Sigma Pharmaceuticals Limited

ABN 15 008 417 403

Interim report

For the half year ended 31 July 2007

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 January 2007 and any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

The directors present their report on Sigma Pharmaceuticals Limited (the Company) and its controlled entities (the Group) for the half year ended 31 July 2007.

Directors

The names of the Directors of the Company during the half year and until the date of this report were:

Dr J Stocker, AO
Mr E de Alwis
Mr D Bayes (appointed 25 June 2007)
Mr D Curlewis (appointed 25 June 2007)
Mr D Duchon (resigned 16 May 2007)
Mr B Jamieson
Mr D Mortimer, AO (resigned 1 July 2007)
Ms L Nicholls AO
Mr W Scott

Review of operations

The Group's sales revenue for the half year was \$1,433,993,000 compared with \$1,260,477,000 for the corresponding period in 2006. This is an increase of 14%. The Group's earnings before interest and tax for the half year was \$62,345,000 compared with \$82,889,000 for the corresponding period in 2006. This is a decrease of 25%. The Group's profit after tax attributable to members of the Company for the half year was \$30,315,000 compared with \$49,355,000 for the corresponding period in 2006. This is a decrease of 39%.

During the period the Company announced that as part of its ongoing capital management strategy it would undertake an on-market share buyback of up to 9.9% of Sigma's issued ordinary shares. The share buy-back commenced 19 July 2007 and is still in progress. At balance date 25,504,697 shares had been bought back.

Further details of the operations of the Group during the half year are set out in the attached financial report.

Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8.

Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission Class Order No. 98/0100 dated 10 July 1998 relating to the "rounding off" of amounts in the directors' report and financial report. In accordance with this Class Order, amounts in the directors' report and financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Events subsequent to reporting date

Dividends paid or declared by the Company to members since the end of the half year were:

An interim dividend of 3.0 cents per share, franked to 100% to be paid to shareholders on 19 October, 2007 amounting to \$27,208,826 was declared on 20 September 2007.

Signed in accordance with a resolution of the directors, dated 20 September 2007.

Dr John W Stocker AO
Chairman

Elmo de Alwis
Managing Director

Melbourne,
20 September 2007

Auditors' Independence Declaration
Sigma Pharmaceuticals Limited

As lead auditor for the review of Sigma Pharmaceuticals Limited for the half year ended 31 July 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Sigma Pharmaceuticals Limited and the entities it controlled during the period.

Mary Waldron
Partner
PricewaterhouseCoopers

Melbourne
20 September 2007

Consolidated income statement

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

	Refer Note	31 July 2007 \$000	31 July 2006 \$000
Sales revenue	3	1,433,993	1,260,477
Cost of goods sold		<u>(1,272,844)</u>	<u>(1,093,847)</u>
Gross profit		161,149	166,630
Other revenue	3	19,816	18,698
Warehousing and delivery expenses		(33,983)	(32,220)
Sales and marketing expenses		(43,364)	(36,946)
Administration and other expenses		(31,712)	(31,826)
Plant rationalisation and restructure costs		(8,980)	(1,047)
Finance costs	5	<u>(20,440)</u>	<u>(14,966)</u>
Profit before income tax expense		42,486	68,323
Income tax expense	6	<u>(12,171)</u>	<u>(18,968)</u>
Net profit attributable to members		<u>30,315</u>	<u>49,355</u>
Earnings per share (EPS)	8	<u>¢</u>	<u>¢</u>
Basic EPS		3.2	5.2
Diluted EPS		3.2	5.2

Notes appearing on pages 13 to 18 to be read as part of these consolidated interim financial statements.

Consolidated balance sheet

Sigma Pharmaceuticals Limited

As at 31 July 2007

	Refer Note	31 July 2007 \$000	31 Jan 2007 \$000
Current assets			
Cash and cash equivalents	12	43,471	49,802
Receivables		242,265	210,982
Inventories		348,295	360,105
Current income tax receivable		9,493	1,535
Financial assets		3,111	2,127
Prepayments and other assets		6,136	6,597
Total current assets		652,771	631,148
Non-current assets			
Property, plant and equipment		204,494	189,660
Intangible assets		1,201,016	1,209,834
Deferred tax assets		37,099	37,966
Total non-current assets		1,442,609	1,437,460
Total assets		2,095,380	2,068,608
Current liabilities			
Payables		357,913	321,802
Provisions		15,218	11,396
Total current liabilities		373,131	333,198
Non-current liabilities			
Interest bearing liabilities		355,171	305,632
Deferred tax liabilities		82,988	84,100
Provisions		1,320	1,222
Total non-current liabilities		439,479	390,954
Total liabilities		812,610	724,152
Net assets		1,282,770	1,344,456
Equity			
Issued capital	9	1,179,361	1,225,633
Issued capital held by equity compensation plan		(19,244)	(20,911)
Reserves		8,881	7,609
Retained earnings		113,772	132,125
Total equity		1,282,770	1,344,456

Notes appearing on pages 13 to 18 are to be read as part of these consolidated interim financial statements.

Consolidated cash flow statement

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

	Refer Note	31 July 2007 \$000	31 July 2006 \$000
Cash flows from operating activities			
Receipts from customers		1,570,925	1,396,541
Payments to suppliers and employees		(1,486,515)	(1,355,587)
Interest received		581	400
Finance costs paid		(22,406)	(14,966)
Income taxes paid		(20,374)	(22,768)
Net cash flows from operating activities	12	<u>42,211</u>	<u>3,620</u>
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	138
Payments for additions of – property, plant and equipment development costs		(20,578) (3,102)	(42,596) (2,607)
Net cash flows used in investing activities		<u>(23,680)</u>	<u>(45,065)</u>
Cash flows from financing activities			
Share buyback		(28,146)	-
Proceeds from redemption of ESP shares		1,665	1,355
Net proceeds from borrowings		50,289	38,099
Dividends paid	7	(48,670)	-
Net cash flows from / (used in) financing activities		<u>(24,862)</u>	<u>39,454</u>
Net increase/(decrease) in cash and cash equivalents		(6,331)	(1,991)
Cash and cash equivalents held at the beginning of the half year		49,802	36,195
Exchange rate adjustments to cash and cash equivalents held at the beginning of the half year		-	(1)
Cash and cash equivalents at the end of the half year	12	<u>43,471</u>	<u>34,203</u>

Notes appearing on pages 13 to 18 are to be read as part of these consolidated interim financial statements.

Consolidated statement of changes in equity

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

	Refer Note	31 July 2007 \$000	31 July 2006 \$000
Total equity at the beginning of the half year		<u>1,344,456</u>	<u>1,269,167</u>
Recognised income/(expense)			
Exchange differences on translation		(44)	790
Movement in fair value of derivatives		<u>688</u>	<u>2,339</u>
Net income recognised directly in equity		<u>644</u>	<u>3,129</u>
Profit for the half year		<u>30,315</u>	<u>49,355</u>
Total recognised income and expense for the half year		<u>30,959</u>	<u>52,484</u>
Transactions with equity holders in their capacity as equity holders:			
Unvested shares held by equity compensation plan		1,667	1,355
Dividends provided for or paid		(48,670)	-
Share based payments expense		630	552
Share buyback	9	<u>(46,272)</u>	<u>-</u>
		<u>(92,645)</u>	<u>1,907</u>
Total equity at the end of the half year		<u>1,282,770</u>	<u>1,323,558</u>

Notes appearing on pages 13 to 18 are to be read as part of these consolidated interim financial statements.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

1. Basis of financial report preparation and accounting policies

This general purpose financial report for the half year reporting period ended 31 July 2007 has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 *Interim Financial Reporting*.

The interim financial report does not include all the notes of the type normally included within the annual financial report. Accordingly, this report is to be read in conjunction with the Company's annual report for the year ended 31 January 2007, together with any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements have been prepared in Australian dollars under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

Comparative information has been reclassified where appropriate to enhance comparability.

The accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period.

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have not been applied in preparing this half year financial report, however will be applicable for the 31 January 2008 annual financial report.

- *AASB 7 Financial Instruments: Disclosures (August 2005)* replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require additional disclosures with respect to the Group's financial instruments and share capital; and
- *AASB 2005-10 Amendments to Australian Accounting Standards (September 2005)* makes consequential amendments to AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings Per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 4 *Insurance contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance contracts* arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

2. Segment information

	Pharmaceuticals \$'000	Healthcare \$'000	Corporate \$'000	Eliminations and Unallocated \$'000	Consolidated \$'000
2007					
Revenue					
Sales revenue	308,605	1,125,388	-	-	1,433,993
Other revenue (excluding interest)	2,986	15,998	251	-	19,235
External segment revenue	311,591	1,141,386	251	-	1,453,228
Inter segment revenue ⁽¹⁾	44,076	-	-	(44,076)	-
Total segment revenue	355,667	1,141,386	251	(44,076)	1,453,228
Result					
Segment result before interest and tax	43,859	21,787	(3,301)	-	62,345
Net financing costs					(19,859)
Income tax expense					(12,171)
Profit after tax					30,315
Net assets					
Segment assets ⁽²⁾	1,525,992	474,482	4,291	90,615	2,095,380
Segment liabilities ⁽²⁾	(82,733)	(290,934)	(952)	(437,991)	(812,610)
Net assets	1,443,259	183,548	3,339	(347,376)	1,282,770
Non-cash expenses					
Depreciation and amortisation	15,430	2,371	150	-	17,951
Other	4,346	629	271	-	5,246
Total	19,776	3,000	421	-	23,197
Acquisition of non-current assets	15,931	7,749	-	-	23,680
2006					
Revenue					
Sales revenue	319,087	941,390	-	-	1,260,477
Other revenue (excluding interest)	2,877	15,167	254	-	18,298
External segment revenue	321,964	956,557	254	-	1,278,775
Inter segment revenue ⁽¹⁾	49,628	-	-	(49,628)	-
Total segment revenue	371,592	956,557	254	(49,628)	1,278,775
Result					
Segment result before interest and tax	63,386	22,564	(3,061)	-	82,889
Net financing costs					(14,566)
Income tax expense					(18,968)
Profit after tax					49,355
Net assets					
Segment assets ⁽²⁾	1,516,509	438,632	5,169	63,174	2,023,484
Segment liabilities ⁽²⁾	(74,611)	(239,085)	(785)	(385,445)	(699,926)
Net assets	1,441,898	199,547	4,384	(322,271)	1,323,558
Non-cash expenses					
Depreciation and amortisation	14,773	2,240	164	-	17,177
Other	679	929	552	-	2,160
Total	15,452	3,169	716	-	19,337
Acquisition of non-current assets	42,112	3,091	-	-	45,203

⁽¹⁾ *Inter-segment transactions are on an arm's length basis.*

⁽²⁾ *Assets and liabilities shown against each segment exclude deferred tax assets, current and deferred tax liabilities and assets and liabilities that relate to the Group's financing activity.*

Detail of segments

Pharmaceuticals – includes contract manufacture for Australian and overseas pharmaceutical companies and the manufacture, sale and marketing of Sigma, Arrow, 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 group operates predominantly as a manufacturer, distributor and marketer of pharmaceutical and allied products through the pharmacy and grocery channels within Australia.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

	31 July 2007 \$000	31 July 2006 \$000
3. Revenue		
Sales revenue	<u>1,433,993</u>	<u>1,260,477</u>
Other revenue		
Commissions and fees	2,051	2,221
Membership revenue	6,398	6,418
Marketing services and promotional revenue	7,824	6,986
Rental and other trading revenue	2,962	2,673
Interest revenue	<u>581</u>	<u>400</u>
Total other revenue	19,816	18,698
Total revenue	<u>1,453,809</u>	<u>1,279,175</u>
4. Income statements disclosure		
Profit before interest and income tax expense has been arrived at after including–		
Amortisation		
IP licence agreement	4,752	4,752
Trademarks and licence fees	6,105	5,842
Brand names	276	276
Development costs	<u>789</u>	<u>553</u>
Total amortisation	<u>11,922</u>	<u>11,423</u>
Depreciation		
Buildings	883	771
Plant and equipment	<u>5,146</u>	<u>4,983</u>
Total depreciation	<u>6,029</u>	<u>5,754</u>

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

	31 July 2007 \$000	31 July 2006 \$000
5. Net finance costs		
Interest revenue		
Non-related parties	581	400
Total interest revenue	581	400
Finance costs		
Interest expense on Sigma Rewards funding	10,682	5,862
Interest expense – non-related parties	11,724	9,733
	22,406	15,595
Less interest capitalised	(1,966)	(629)
Total finance costs	20,440	14,966
Net finance costs expensed	19,859	14,566
6. Income tax expense		
The prima facie income tax expense reconciles to income tax provided as follows –		
Prima facie income tax expense calculated at 30%	12,746	20,497
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:-		
Non-deductible amortisation	584	573
Other items	(828)	(1,698)
Amounts (over)/ under provided in prior years	(331)	(404)
Income tax expense	12,171	18,968
Income tax expense/(benefit) comprises -		
Current expense/(benefit)	11,962	18,666
Deferred expense/(benefit)	540	706
Adjustments for current income tax of prior periods	(331)	(404)
Income tax expense	12,171	18,968
7. Dividends		
Dividends paid during the half year	48,670	-
Dividends not recognised at the end of the half year	27,209	34,409
Since the end of the half year the directors have declared a fully franked interim dividend of 3.0 cents per ordinary share (2006: 3.6 cents ⁽¹⁾)		

The interim dividend was declared on 20 September and is payable on 19 October 2007 with a record date for determining entitlements to the dividend of 2 October 2007.

(1) The 2006 interim dividend was adjusted for the 2005 merger conversion ratio of 4.435:1.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

8. Earnings per share	31 July 2007 Cents	31 July 2006 Cents
Basic EPS	3.2	5.2
Diluted EPS	3.2	5.2

Weighted average number of shares	2007 No. '000s	2006 No. '000s
Weighted average number of ordinary shares used in the calculation of basic earnings per share.	943,887	940,626
Weighted average number of ordinary shares on issue adjusted for the dilutive effect of outstanding share rights and options used in the calculation of diluted earnings per share.	960,824	957,283

9. Issued capital	31 July 2007 \$000	31 July 2006 \$000
Issued capital at the beginning of the half year	1,225,633	1,213,149
Share buyback	(46,272)	-
Shares issued in respect of –		
Employee share plan issue	-	11,456
Issued capital at the end of the half year	1,179,361	1,224,605

Share buyback

During the period the Company announced that as part of its ongoing capital management strategy it would undertake an on-market share buyback of up to 9.9% of Sigma's issued ordinary shares. The share buy-back commenced 19 July 2007 and is still in progress. At balance date 25,504,697 shares had been bought back.

10. Net tangible asset backing	31 July 2007 Cents	31 July 2006 Cents
Net tangible asset backing per ordinary share	8.8	11.1

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2007

	31 July 2007 \$000	31 Jan 2007 \$000
11. Contingent assets and liabilities		
Contingent liabilities existed at the end of the half year in respect of –		
Pharmacist guarantees ⁽¹⁾	4,073	4,943
Sigma Rewards guarantees ⁽²⁾	11,000	11,000
Other guarantees	3,303	3,295
	<u>18,376</u>	<u>19,238</u>

1. 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.

2. Amount represents a bank guarantee in respect of financing payment obligations under the Sigma Rewards program.

	31 July 2007 \$000	31 July 2006 \$000
12. Cash flow statements		
(a) Reconciliation of cash and cash equivalents		
Cash and cash equivalents	<u>43,471</u>	<u>34,203</u>

The Group holds an investment of \$34,500,693 at 31 July 2007 (31 January 2007: \$31,107,235) in two notes in relation to its Sigma Rewards debtors program. This investment is classified within Cash and cash equivalents.

(b) Reconciliation of net profit after income tax expense to net cash flows from operating activities

Net profit after income tax expense	30,315	49,355
Depreciation expense	6,029	5,754
Amortisation expense	11,922	11,423
Share-based payments expense	630	552
Loss/(profit) on sale of property, plant and equipment	14	(84)
(Decrease)/increase in income taxes payable/receivable	(7,958)	3,438
(Decrease)/increase in net deferred taxes payable	(245)	1,043
Changes in assets and liabilities:		
(Increase)/decrease in inventories	11,810	(26,679)
(Increase)/decrease in trade, other debtors and prepayments	(31,072)	(10,204)
Increase/(decrease) in trade, other creditors, employee entitlements and other provisions	20,766	(30,978)
Net cash flows from operating activities	<u>42,211</u>	<u>3,620</u>

Directors' declaration

Sigma Pharmaceuticals Limited

In the directors' opinion:

- a) the financial statements and notes set out on pages 9 to 18 are in accordance with the *Corporations Act 2001* including:
 - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*,
and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2007 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half year ended on that date,
and
- b) there are reasonable grounds to believe that Sigma Pharmaceuticals Limited will be able to pay its debts as and when they become due and payable.

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

Dr John W Stocker AO
Chairman

Elmo de Alwis
Managing Director

Melbourne
20 September 2007

Independent review report to the members of Sigma Pharmaceuticals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Sigma Pharmaceuticals Limited, which comprises the balance sheet as at 31 July 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Sigma Pharmaceuticals Limited Group (the consolidated entity). The consolidated entity comprises both Sigma Pharmaceuticals Limited and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 July 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sigma Pharmaceuticals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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 have complied with the independence requirements of the Corporations Act 2001.

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Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 July 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

Mary Waldron
Partner

Melbourne
20 September 2007