



Sigma Pharmaceuticals Limited
ABN 15 088 417 403

Australian Stock Exchange Listing Rules Disclosure
Preliminary Final Report
For the financial year ended 31 January 2009

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Sigma will host a presentation to analysts and media on Monday 23 March 2009 at 11:00 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

Preliminary Final Report

For the financial year ended 31 January 2009
compared to the prior year ended 31 January 2008

Results for Announcement to the Market

<u>Group Results</u>				<u>\$000</u>
Sales revenue	up	3.9%	to	3,081,287
Total revenue and income	up	3.9%	to	3,124,745
Earnings before interest and tax	up	20.0%	to	190,260
Net profit after tax attributable to members	up	3.9%	to	80,124

<u>Dividends</u>	Amount per security	Franked amount per security at 30% tax rate
Dividends declared or paid by Sigma Pharmaceuticals Limited are:		
Final dividend ⁽¹⁾	4.0¢	4.0¢
Interim dividend	3.0¢	3.0¢
Final dividends paid in the previous corresponding period were:		
Final dividend ⁽²⁾	4.0¢	4.0¢
1. The record date for determining entitlements to the final dividend is 6 April 2009. The final dividend will be paid to shareholders on 7 May 2009.		
2. The final dividend was paid to shareholders on 23 April 2008.		

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Commentary and Analysis

The table below provides a summary of the group's reported financial performance for the year ending 31 January 2009.

Group Financial Results - Reported

	2009 (\$'000)	2008 (\$'000)	Change %
Sales revenue	3,081,287	2,966,502	Up 3.9%
EBITDA	234,989	195,471	Up 20.2%
Earnings before interest and tax (EBIT)	190,260	158,577	Up 20.0%
Profit before tax	113,544	109,438	Up 3.8%
Net profit after tax	80,124	77,154	Up 3.9%
Dividends per share	7.00c	7.00c	-

Cashflow and gearing

Net operating cash flow from operations was \$245.9 million, 156% more than the prior corresponding period, reflecting a year of strong cash generation.

Cash generated from operations were primarily utilised for:

- Acquisition of Orphan Australia - \$131.1 million
- Other intangibles and fixed asset additions - \$33.8 million
- Interest - \$81.2million.
- Tax - \$24.8 million

Net on and off balance sheet debt (i.e. including the Sigma Rewards securitisation program) as at 31 January 2009 was \$876 million (2008 - \$821 million). Total gearing was 42.2% as at 31 January 2009 compared to 40.6% for the prior year.

Group Financial Results – Reported

	1st Half 2009 (\$'000)	2nd Half 2009 (\$'000)	Change %	Total 2009 (\$'000)	2008 (\$'000)	Change %
Sales revenue	1,465,830	1,615,457	Up 10.2%	3,081,287	2,966,502	Up 3.9%
EBITDA	103,315	131,674	Up 27.5%	234,989	195,471	Up 20.2%
Depreciation and amortisation	(22,863)	(21,866)	Down 4.4%	(44,729)	(36,894)	Up 21.2%
Earnings before interest and tax (EBIT)	80,452	109,808	Up 36.5%	190,260	158,577	Up 20.0%
Net financing costs	(37,958)	(38,758)	Up 2.1%	(76,716)	(49,139)	Up 56.1%
Profit before tax	42,494	71,050	Up 67.2%	113,544	109,438	Up 3.8%
Tax expense	(11,825)	(21,595)	Up 82.6%	(33,420)	(32,284)	Up 3.5%
Profit after tax	30,669	49,455	Up 61.3%	80,124	77,154	Up 3.9%
EBIT margin	5.5%	6.8%	Up 1.3%	6.2%	5.3%	Up 0.9%
Basic EPS	-	-	-	9.4c	8.5c	Up 0.9c
Dividends per share	-	-	-	7.0c	7.0c	-

Sales revenue and earnings

Sales revenue for the Sigma Group grew by 3.9% over the prior year, and was over \$3 billion for the first time, comprising 5.7% growth in our Healthcare business and a reduction of 3.2% in our Pharmaceuticals business.

Our first half result, whilst representing a significant uplift in operating margins over the prior year's first half, was impacted primarily by our Retail Pharmacy customers de-stocking in the lead-up to the introduction of price cuts under reforms to the PBS. Inventory levels held by our customers increased in the second half to levels approximately one week below that seen prior to the reforms. Pleasingly, during this period of disruption, we have maintained our market shares across both divisions. Net Profit After Tax of \$80.1 million comprised a 38%/62% first to second half split, which was consistent with our expectations.

The 5.7% growth in Healthcare sales revenue was achieved against a backdrop of regulatory changes introduced during the year, continued market participant uncertainty, and relatively flat growth in the portion of the PBS available to the Group. Pharmaceuticals division sales revenue decreased by 3.2%, reflecting a continued reduction in the percentage of total sales attributable to our low margin distributed products sales channel, an approximate one week inventory reduction post the introduction of PBS reforms in August 2008, and heightened competition within the generics market.

Group EBIT increased by 20.0% over the prior year. The significant improvement in both Divisions, in particular during the second half of 2008, reflects the upside potential for future periods, notwithstanding the global economy facing a sustained period of downturn. Group EBIT margins of 6.2% were up from 5.3% the prior year, with both the first and second half margins recording an increase over previous corresponding periods. The Pharmaceuticals division result for the second half reflects the long term shareholder return from our focus on growing sales of our higher margin generics and manufactured products, and along with continued improvement in the efficiency of the Healthcare division, positions the Group for ongoing growth. The acquisition of Orphan Australia in February 2008 and the Methadone/Physeptone portfolio in July 2008 demonstrates commitment to the ongoing strategy of investing in high margin opportunities.

Divisional Earnings Performance

Pharmaceuticals Division

Financial Results - Reported

Pharmaceuticals Division ⁽¹⁾	H1	H2	Change	Total		
First and Second Half Comparison to Prior Year	2009	2009	H1 to H2	2009	2008	Change
	(\$m)	(\$m)	%	(\$m)	(\$m)	%
External revenue	276.5	319.4	Up 15.5%	595.9	615.8	Down 3.2%
EBITDA	76.8	95.8	Up 24.8%	172.5	140.7	Up 22.6%
EBIT	56.9	76.6	Up 34.7%	133.5	109.5	Up 21.9%
EBIT margin	20.6%	24.0%	Up 3.4%	22.4%	17.8%	Up 4.6%
Return on invested capital *				7.1%	6.1%	Up 1.0%

⁽¹⁾ Includes plant rationalisation and restructure costs of \$1.3 million before tax (2008 - \$11.0 million).

* Reported earnings before interest adjusted for interest shield (NOPAT) divided by Invested Capital

Growth of the higher margin Pharmaceutical Division remains a key long term goal for Sigma. With a market leading presence in Australia's pharmaceutical manufacturing, generics and a comprehensive over-the-counter products portfolio, the division is uniquely positioned for capitalising on future growth opportunities.

- Significant margin improvement.
- Integration of Orphan complete and operating results in line with expectations.
- Increased generics competition, new product launches and stable market share.
- Acquisition of Methadone/Physeptone portfolio in July.

Generics

In 2007 generics accounted for 14.3% of the total pharmaceuticals market, and is forecast by Business Monitor to increase to 17.2% by 2012. The growth of this key sales channel is heavily dependant on the off patent product pipeline and successful launch of new generic equivalents to market. Such new launches are critical to the Group maintaining operating margins as large existing molecules will continue to come under margin pressure. During the year, this decrease in contribution from our large licensed generic molecules has been offset by the addition of new molecules to our home-grown manufactured portfolio. Eighteen new generic Ethical and OTC molecules were launched during the year, including Dilasig (Carvedilol) and Felidol (Foledipine XR), with a further twelve Ethical molecules with current PBS sales of \$413 million scheduled for launch in 2009/10.

In February 2009, the Department of Health and Ageing announced additional price reductions to apply on four PBS drugs from 1 August 2009 as a result of the first round of the new price disclosure system. Of the four drugs that exceeded the agreed 10% average trading terms threshold, only one of these (Meloxicam) is dispensed by our retail pharmacy customers. Similar to our response to the Statutory Price reductions introduced August 2008, we intend to reduce current discounts offered on this product when the price reduces by 22.46% in August 2009 so as to maintain net margin.

Continued enhancement of our relationships with customers, further up-skilling, training and retention of our sales team, development of further strategic partnerships with suppliers and a focus on high quality business development, systems and processes will enable this business to remain the generics partner of choice to the retail pharmacy market.

Consumer and Over the Counter

The OTC sector accounts for approximately 20% of the total pharmaceuticals market in Australia. During the year, management of our OTC portfolio, Private Label (Amcal/Guardian) and Herron brands was consolidated, and remains a significant market player. Sigma has the third largest OTC portfolio in Australia and our business is well positioned to capitalize on the trend in recent years towards preventative healthcare. Consumers are self-medicating and seeking advice, information and effective treatments from a number of sources, including pharmacies. Sigma will continue to enhance and strengthen its relationship with pharmacists through the provision of products and services that meet the needs of the self-medicating consumer. Our OTC business has strong consumer equity and pharmacist endorsement, including by the Pharmacy Guild of Australia of the Chemists' Own range, and have a business that competes in all major OTC categories.

Medical

In February 2008, Sigma acquired the Orphan Australia niche medical products business. Integration of Orphan proceeded smoothly through the year, and the financial result is in line with our initial expectations. Orphan has been extremely successful in

the licensing, marketing and distribution of novel, highly specialized therapeutics from international pharmaceutical and biotech companies. Importantly, the acquisition has provided Sigma entry into high value, high growth specialized pharmaceuticals which have low risk profiles, minimal competition and which are diversified from but complimentary to Sigma's existing medical product range.

Manufacturing Facilities

In-house manufacturing capability has been a cornerstone of Sigma's strategy for many years, including further leveraging the value of an "Australian Made" stamp, security and flexibility of supply, quality of product manufactured and profit opportunities from third party contract manufacturing work. With competition from certain low-cost overseas entities, particularly in this economic climate, focus moving ahead will be on maximising cost efficiencies, renegotiation of raw materials supply contracts, and identifying new contract and export manufacturing opportunities.

Healthcare Division

Financial Results - Reported

Healthcare Division ⁽¹⁾	H1	H2	Change	Total		
First and Second Half Comparison to Prior Year	2009	2009	H1 to H2	2009	2008	Change
	(\$m)	(\$m)	%	(\$m)	(\$m)	%
External revenue	1,189.4	1,296.1	Up 8.9%	2,485.4	2,350.7	Up 5.7%
EBITDA	29.6	39.2	Up 32.4%	68.8	60.9	Up 13.0%
EBIT	26.8	36.7	Up 36.8%	63.5	55.5	Up 14.3%
EBIT margin	2.3%	2.8%	Up 0.5%	2.6%	2.4%	Up 0.2%
Return on invested capital *				7.6%	6.4%	Up 1.2%

⁽¹⁾ Includes plant rationalisation and restructure costs of \$3.0 million before tax (2008 - \$3.6 million).

* Reported earnings before interest adjusted for interest shield (NOPAT) divided by Invested Capital

The Healthcare division had a strong 2009, and has consolidated growth from previous years, with sales revenue up 5.7% and continued improvement in margins.

- Sales growth in excess of total market growth.
- Margin growth.
- ROIC increase reflects ongoing capital optimisation focus whilst maintaining the service mix offering.

Wholesale

The wholesale business has consolidated prior period market share growth, and continues to provide economies of scale and leverage with customers to enable higher margin sales channels of Sigma to compete more effectively.

Focus over the next year will be to ensure this business delivers an attractive medium to long term value proposition for both customers and shareholders. This balance between superior service mix and return on invested capital has seen a number of key targets and operational priorities set, and we are confident that a low cost distribution business, as part of the total Sigma offering, can remain an important arm of the company's total pharmacy business.

Retail and Merchandising

Amcal Max, Amcal and Guardian combined remain the largest pharmacy group in Australia, with a retail market share of 13%. The Retail business has an ongoing focus of adding to the membership benefits of our bannered pharmacies. Such value and innovative support will be extremely important as retail business conditions further deteriorate over the next year. Retail programs such as Xndo weight loss which is now in 375 stores, store planogram service and an attractively priced comprehensive range of private label OTC brands, together with the combined buying power of being Australia's 9th largest retailer, positions this business to continue to support our banner members.

Dividends

The Directors of Sigma Pharmaceuticals Limited have declared a final dividend of 4.0 cents per ordinary share, fully franked and payable on 7 May 2009. This brings full year dividends to 7.0 cents, and at current share prices represents a 7.3% dividend yield pre franking credits. After adjusting for the impact of amortisation on intangibles of \$21.2 million after tax and restructure costs of \$3.0 million after tax, the dividend payout ratio is 58%.

Shareholder's Calendar

2009

31	March	Ex-dividend date
6	April	Record date final dividend
7	May	Final dividend paid
12	May	Annual General Meeting

Stakeholder Queries

Share Registry Enquires:

Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235
Australia
Telephone (within Australia): 1300 554 474
E-mail: registrars@linkmarketservices.com.au
Website: www.linkmarketservices.com.au

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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
96 Merrindale Drive, Croydon VIC 3136

Consolidated Income Statements

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	Refer Note	2009 \$000	2008 \$000
Sales revenue	4	3,081,287	2,966,502
Cost of goods sold		(2,706,761)	(2,625,126)
Gross profit		374,526	341,376
Other revenue and income	4	43,458	39,772
Warehousing and delivery expenses		(69,255)	(65,294)
Sales and marketing expenses		(88,748)	(76,789)
Administration expenses		(65,163)	(65,894)
Share of net losses from equity accounted investments	12	(266)	-
Plant rationalisation and restructure costs		(4,292)	(14,594)
Profit before financing costs		190,260	158,577
Financial income	6	1,201	1,362
Financial expenses – excluding share buy back	6	(77,917)	(46,492)
Financial expenses – share buy back	6	-	(4,009)
Net financing costs	6	(76,716)	(49,139)
Profit before income tax expense		113,544	109,438
Income tax (expense)/benefit	7	(33,420)	(32,284)
Profit for the year		80,124	77,154
Earnings per share (EPS)		¢	¢
Basic EPS		9.4	8.5
Diluted EPS		9.2	8.3

Notes appearing on pages 12 to 24 are to be read as part of these consolidated financial statements.

Consolidated Balance Sheets

Sigma Pharmaceuticals Limited

As at 31 January 2009

	Refer Note	2009 \$000	2008 \$000
Current assets			
Cash and cash equivalents	11	49,986	47,031
Receivables		258,496	229,250
Inventories		325,404	349,066
Derivative financial instruments		1,367	3,439
Prepayments		8,745	3,143
Total current assets		643,998	631,929
Non-current assets			
Property, plant and equipment		182,268	202,427
Derivative financial instruments		123	1,524
Investments accounted for using the equity method	12	1,292	1,636
Intangible assets		1,332,744	1,195,249
Deferred tax assets		41,039	34,137
Total non-current assets		1,557,466	1,434,973
Total assets		2,201,464	2,066,902
Current liabilities			
Payables		404,364	298,938
Interest bearing liabilities		211,697	33,776
Current income tax liabilities		15,852	5,390
Derivative financial instruments		23,307	-
Provisions		12,860	9,897
Total current liabilities		668,080	348,001
Non-current liabilities			
Interest bearing liabilities		226,000	435,000
Deferred tax liabilities		90,480	81,928
Derivative financial instruments		17,942	-
Provisions		1,030	1,320
Total non-current liabilities		335,452	518,248
Total liabilities		1,003,532	866,249
Net assets		1,197,932	1,200,653
Equity			
Issued capital	9	1,083,578	1,074,470
Issued capital held by equity compensation plan		(20,261)	(18,215)
Reserves		(19,582)	10,663
Retained profits		154,197	133,735
Total equity		1,197,932	1,200,653

Notes appearing on pages 12 to 24 are to be read as part of these consolidated financial statements.

Consolidated Cash Flow Statements

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	Refer Note	2009 \$000	2008 \$000
Inflows (outflows)			
Cash flows from operating activities			
Receipts from customers		3,427,900	3,290,671
Payments to suppliers and employees		(3,077,241)	(3,118,441)
Interest received		1,201	1,362
Finance costs paid		(81,206)	(53,918)
Income taxes paid		(24,774)	(23,702)
Net cash flows from operating activities	11	245,880	95,972
Cash flows from investing activities			
Acquisition of controlled entities		(131,116)	-
Proceeds from sale of property, plant and equipment		5,558	148
Return of capital from equity accounted investments		150	-
Payments for investments in joint venture		-	(1,636)
Payments for additions of –			
property, plant and equipment		(9,228)	(28,457)
trademarks and licence fees		(21,700)	(3,400)
development costs		(2,910)	(5,187)
Net cash flows used in investing activities		(159,246)	(38,532)
Cash flows from financing activities			
Shares bought back		-	(151,163)
Proceeds from redemption of shares under Sigma Employee share plan		1,307	2,696
Net proceeds/(repayments) of borrowings		(31,079)	163,796
Dividends paid		(53,907)	(75,544)
Net cash flows used in financing activities		(83,679)	(60,215)
Net increase/(decrease) in cash and cash equivalents		2,955	(2,775)
Cash and cash equivalents held at the beginning of the year		47,031	49,802
Effects of exchange rate changes on cash and cash equivalents		-	4
Cash and cash equivalents at the end of the year	11	49,986	47,031

Notes appearing on pages 12 to 24 are to be read as part of these consolidated financial statements.

Consolidated Statements of Changes in Shareholders' Equity

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	Equity attributable to members of Sigma Pharmaceuticals Limited				
	Issued capital \$'000	Shares held by equity compensation plan \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 February 2007	1,225,633	(20,911)	7,609	132,125	1,344,456
Recognised income/(expenses)					
Currency translation adjustments	-	-	75	-	75
Derivatives	-	-	1,986	-	1,986
Net income recognised directly in equity	-	-	2,061	-	2,061
Profit for the year	-	-	-	77,154	77,154
Total recognised income/(expense)	-	-	2,061	77,154	79,215
Shares bought back	(151,163)	-	-	-	(151,163)
<i>Movements in:</i>					
- Unvested shares held by equity compensation plan	-	2,696	-	-	2,696
- Share-based remuneration plans	-	-	993	-	993
Dividends appropriated	-	-	-	(75,544)	(75,544)
Balance at 31 January 2008	1,074,470	(18,215)	10,663	133,735	1,200,653
Recognised income/(expenses)					
Currency translation adjustments	-	-	446	-	446
Derivatives	-	-	(31,692)	-	(31,692)
Net income recognised directly in equity	-	-	(31,246)	-	(31,246)
Profit for the year	-	-	-	80,124	80,124
Total recognised income/(expense)	-	-	(31,246)	80,124	48,878
Issue of ordinary shares under employee share plan	3,353	(3,353)	-	-	-
Issue of ordinary shares under dividend reinvestment plan	5,755	-	-	-	5,755
<i>Movements in:</i>					
- Unvested shares held by equity compensation plan	-	1,307	-	-	1,307
- Share-based remuneration plans	-	-	1,001	-	1,001
Dividends appropriated	-	-	-	(59,662)	(59,662)
Balance at 31 January 2009	1,083,578	(20,261)	(19,582)	154,197	1,197,932

Note: All items in the Statements of Changes in Equity are net of tax.

Notes appearing on pages 12 to 24 are to be read as part of these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

1. Basis of Financial Report Preparation

Sigma Pharmaceuticals Limited (the 'Company') is a company domiciled in Australia. This financial report was authorised for issue by the directors on 23 March 2009.

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.

(a) Statement of compliance

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

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Sigma Pharmaceuticals Limited comply with International Financial Reporting Standards (IFRS).

(b) Basis of measurement

This Financial Report is presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

This Financial Report is prepared on the historical cost basis except that derivative financial instruments are stated at their fair value.

The Group is of a kind referred to in Australian Securities and Investment Commission ('ASIC') class Order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005 and CO 06/51 effective 31 January 2006) and in accordance with that class Order, amounts in this Financial Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company, Sigma Pharmaceuticals Limited, being the parent entity, and all of its subsidiaries, together referred to in this financial report as the Group. Subsidiaries include special purpose entities over which the Group has the power to govern the financial and operating policies. Where a subsidiary either began or ceased to be controlled during the year, the results of its operations are included only from the date control commenced or up to the date control ceased. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The effects of all transactions between group companies are eliminated in full.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

1. Basis of Financial Report Preparation (continued)

(d) Use of accounting estimates and judgements

The preparation of the financial statements requires 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 estimate is 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.

Impairment of goodwill and intangible assets with indefinite useful lives

The consolidated entity assesses whether goodwill and intangible assets with indefinite useful lives are impaired at least annually. These calculations involve an estimate of the recoverable amount of the cash generating units to which such assets are allocated. In addition, management has considered reasonable possible shifts in the movements in key assumptions and is comfortable that no impairment arises.

Impact of global financial crisis

Financial market conditions have changed quite dramatically over the past twelve months. Equity markets have been volatile, interest rates have fluctuated substantially, there has been an ongoing liquidity crisis and the AUD has been extremely volatile against the USD.

Australian Accounting Standards require entities to assess whether their assets, both financial and non-financial are impaired. AASB 136 Impairment of Assets deals with impairment of non-financial assets and AASB 139 Financial Instruments: Recognition and Measurement provides guidance on impairment of financial assets.

Whilst management has satisfied itself that the carrying value of all assets does not exceed its recoverable amount at balance date, prima facie, there is an increased risk of impairment write-downs given changes in market conditions. This is a global issue and not one specific to Sigma or any of its subsidiaries.

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 our knowledge inventories have been correctly and fairly recorded as at 31 January 2009.

Sigma rewards structure

As noted in our annual report the consolidated group operates a debtors securitisation programme – Sigma Rewards. This programme allows Sigma to receive cash in advance due to the fact that substantially all the risks and rewards of ownership of debtors within the programme are transferred to a third party. Accordingly, the debtors are recorded off balance sheet. The cost associated with this programme is treated as 'finance costs' on the face of the income statement.

Allco Finance Group (Allco) is an investor in the Sigma Rewards programme and bears the majority of the risk associated with defaulting debtors. Accordingly we are able to achieve off balance sheet treatment due to the nature of Allco's investment in Sigma Rewards (as the bearer of risk).

During November 2008 Allco went into voluntary administration. The Sigma Rewards programme continues to operate as an off balance sheet structure as Allco continues to maintain its investment in Sigma Rewards.

In the event that Sigma purchases Allco's investment, this would trigger consolidation of the underlying trust that carries the Sigma Rewards debtors. In effect this would bring back on balance sheet all the debtors within Sigma Rewards as well as an equivalent external debt.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

2. Accounting Policies

The accounting policies adopted in the preparation of the financial report are consistent with those applied and disclosed in the Annual Report.

The accounting policies have been applied consistently to all periods presented in this consolidated financial report, 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.

No Australian Accounting Standards issued but not yet effective have been early adopted. It is not considered that the early adoption of these standards would have a material impact on the results of the Group.

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 consolidated financial report:

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting as it requires the adoption of a "management approach" to reporting on the financial performance. The information being reported will be based on what the key decision-makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. AASB 8 will become mandatory for the Group's 31 January 2010 financial statements. The Group has not yet decided to early adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different type of information being reported in the segment note of the financial report.
 - Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 are effective for annual reporting periods commencing on or after 1 January 2009. The revised AASB 101 introduces as a financial statement (formerly "primary statement") the "statement of comprehensive income". The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the Group's 31 January 2010 financial statements. The Group has not yet determined the potential effect of the revised standard on the Group's disclosures. The Group has not yet decided to early adopt the revised AASB 101.
 - Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 are effective for annual reporting periods commencing on or after 1 January 2009. The revised AASB 123 removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the Group's 31 January 2010 financial statements. The adoption of this accounting standard will not result in a change in accounting policy for the Sigma group as our current accounting policy is in line with the revised AASB 123. The Group has not yet decided to early adopt the revised AASB 123.
 - AASB interpretation 13 Customer Loyalty Programmes is effective for annual reporting periods commencing on or after 1 July 2008. The interpretation addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customers can redeem credits for awards such as free or discounted goods or services. AASB interpretation 13 will become mandatory for the Group's 31 January 2010 financial statements. Management estimates the impact on adoption to be immaterial.
 - AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards are effective for annual reporting periods beginning 1 July 2009. AASB 3 is applied prospectively for all business combinations finalised after 1 January 2009. The revised AASB 3 changes the measurement and recognition requirements in accounting for business combinations.
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Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

3. Segment Information

	Pharmaceuticals \$'000	Healthcare \$'000	Corporate \$'000	Eliminations and Unallocated \$'000	Consolidated \$'000
2009					
Revenue					
Sales revenue	595,849	2,485,438	-	-	3,081,287
Other revenue and income	7,678	35,280	500	-	43,458
External segment revenue	603,527	2,520,718	500	-	3,124,745
Inter segment revenue ⁽¹⁾	96,870	-	-	(96,870)	-
Total segment revenue	700,397	2,520,718	500	(96,870)	3,124,745
Result					
Segment result before interest and tax	133,486	63,451	(6,677)	-	190,260
Net financing costs					(76,716)
Income tax expense					(33,420)
Profit after tax					80,124
Net assets					
Segment assets ⁽²⁾	1,614,357	494,588	1,490	91,029	2,201,464
Segment liabilities ⁽²⁾	(65,960)	(352,293)	(57,101)	(528,178)	(1,003,532)
Net assets	1,548,397	142,295	(55,611)	(437,149)	1,197,932
Non-cash expenses					
Depreciation and amortisation	38,816	5,334	351	-	44,501
Other	5,756	5,507	1,001	-	12,264
Total	44,572	10,841	1,352	-	56,765
Acquisition of non-current assets	28,526	5,312	-	-	33,838
2008					
Revenue					
Sales revenue	615,811	2,350,691	-	-	2,966,502
Other revenue and income	6,133	33,142	497	-	39,772
External segment revenue	621,944	2,383,833	497	-	3,006,274
Inter segment revenue ⁽¹⁾	78,815	-	-	(78,815)	-
Total segment revenue	700,759	2,383,833	497	(78,815)	3,006,274
Result					
Segment result before interest and tax	109,483	55,522	(6,428)	-	158,577
Net financing costs					(49,139)
Income tax expense					(32,284)
Profit after tax					77,154
Net assets					
Segment assets ⁽²⁾	1,495,078	485,216	5,439	81,169	2,066,902
Segment liabilities ⁽²⁾	(63,765)	(246,388)	(3,000)	(553,096)	(866,249)
Net assets	1,431,313	238,828	2,439	(471,927)	1,200,653
Non-cash expenses					
Depreciation and amortisation	31,220	5,328	346	-	36,894
Other	4,931	7,303	993	-	13,227
Total	36,151	12,631	1,339	-	50,121
Acquisition of non-current assets	32,151	4,893	-	-	37,044

⁽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 which relate to the Group's financing activity.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

3. Segment Information

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 pharmaceutical products. The results of Orphan Australia have been included within the Pharmaceuticals segment from 22 February 2008, the effective date of the acquisition.

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.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	2009 \$000	2008 \$000
4. Revenue and other income		
Sales revenue	3,081,287	2,966,502
Other revenue		
Commissions and fees	10,552	8,657
Membership revenue	11,514	12,865
Marketing services and promotional revenue	15,666	14,752
Rentals and other trading revenue	3,883	1,837
Total other revenue	41,615	38,111
Other Income		
Profit on sale of property, plant and equipment	1,843	1,661
Total other revenue and other income	43,458	39,772
5. Income Statements Disclosure		
Profit before interest and income tax expense has been arrived at after including –		
Amortisation		
IP licence agreement	9,504	9,504
Trademarks and licence fees	17,944	12,275
Brand names	975	778
Development costs	1,897	1,319
Total amortisation	30,320	23,876
Depreciation		
Buildings	2,767	2,018
Plant and equipment	11,414	11,000
Total depreciation	14,181	13,018
Write down of inventories to net realisable value	10,435	13,047
Write down of property, plant and equipment to recoverable amount	4	2,362
Reversal of impairment on NZ brand names	-	(750)
Impairment of intangibles	228	-
Losses/(profits) from the sale of property, plant and equipment	(1,843)	(1,661)
Bad and doubtful debts – trade debtors	619	1,006
Employee benefits expense	116,731	119,522
Share-based payments expense	1,001	993
Directors' retirement provision	44	35
Rental expenses on operating leases	9,965	8,621
Research and development expenditure	4,816	3,834

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	2009 \$000	2008 \$000
6. Net Financing Costs		
Financial Income		
Interest revenue	1,201	1,362
Total financial income	1,201	1,362
Financial expenses		
Interest expense - Sigma Rewards	30,580	25,082
Interest expense –excluding share buy back	47,337	24,827
Less interest capitalised	-	(3,417)
Sub-total – financial expenses excluding share buy back	77,917	46,492
Interest expense –share buy back	-	4,009
Total financial expenses	77,917	50,501
Net finance costs	76,716	49,139

7. Income Tax Expense

The prima facie income tax expense/(benefit) reconciles to income tax provided as follows –

Prima facie income tax expense calculated at 30%	34,063	32,831
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-deductible amortisation	1,197	1,185
Other items	(733)	(520)
Deferred tax balances reset under Australian tax consolidation	-	-
Amounts (over)/ under provided in prior years	(1,107)	(1,212)
Income tax expense/(benefit)	33,420	32,284

Income tax expense/(benefit) comprises -

Current expense/(benefit)	38,414	32,691
Deferred expense/(benefit)	(3,887)	805
Adjustments for current income tax of prior periods	(1,107)	(1,212)
Income tax expense/(benefit)	33,420	32,284

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

8. Dividends

Dividends recognised in the current year by the Group are:

	Cents per share	Amount \$'000	Date of payment	Tax rate for franking credit %	Percentage franked %
<i>2009</i>					
2008 Final – Ordinary shares	4.0	34,086	23 April 2008	30	100
Interim – Ordinary Shares Paid in Cash	3.0	19,821	29 October 2008	30	100
Interim – Ordinary Shares Dividends Reinvested **	3.0	5,755	29 October 2008	30	100
Total amount		59,662			

Dividends recognised in the previous year by the Group were:

	Cents per share	Amount \$'000	Date of payment	Tax rate for franking credit %	Percentage franked %
<i>2008</i>					
2007 Final – Ordinary shares	5.15	48,670	24 April 2007	30	100
Interim - Ordinary shares	3.0	26,874	19 October 2007	30	100
Total amount		75,544			

** Sigma Dividend Reinvestment Plan

On 10 September 2008 the Board of Sigma Pharmaceuticals Limited (“Sigma”) announced the introduction of a Dividend Reinvestment Plan (“DRP” or “Plan”) for Sigma shareholders. The DRP was available in respect of the Sigma interim dividend which was paid on 29 October 2008.

The DRP provides eligible shareholders the opportunity to reinvest all or part of their dividend entitlement in additional Sigma shares, instead of receiving cash. The 2008/09 interim dividend was issued under the DRP at a discount of 2.5% to the volume weighted average market price for the 10 trading days beginning on the second day after the record date for the dividend.

The issue of shares under the DRP was free of transaction costs to shareholders. Participation in the DRP is voluntary, and eligible shareholders may participate in respect of all or part of their shareholding in Sigma.

Subsequent Events

Since the end of the financial year the directors have declared a final dividend of \$34,801,520 to be paid at a rate of 4.0 cents per ordinary share. The dividend is expected to be paid on 7 May 2009 to shareholders on the register at the record date of 6 April 2009. This dividend will be fully franked at the 30% corporate tax rate, in Australia.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	2009	2008
	\$000	\$000
9. Share Capital		
Balance at the beginning of the year	1,074,470	1,225,633
Shares issued in respect of –		
29 October 2008 - Shares issued under Dividend Reinvestment Plan *	5,755	-
21 January 2009 - Employee share plan issue **	3,353	-
Shares bought back	-	(151,163)
Closing balance	1,083,578	1,074,470

Share buyback during prior period

During the prior 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 18 July 2007 and the last tranche of shares bought back was on 20 December 2007. A total of 94,624,357 shares were bought back during the prior period at a total cost of \$151.2 million. The average price paid per share was \$1.60.

* Sigma Dividend Reinvestment Plan

The number of shares which participated in the Dividend Reinvestment Plan in relation to the 2009 interim dividend was 191,830,435 ordinary shares. The dividend entitlement on these shares was 3.0 cents per share and the shares were issued at an initial discount of 2.5% to the volume weighted average market price for the 10 trading days beginning on the second day after the record date for the dividend.

Refer note 8 for further details on Dividend Reinvestment Plan.

** Employee Share Plan

Pursuant to the Rules of the Sigma Employee Share Plan and the Information Booklet dated December 2008, the Company on 21 January 2009 issued 3,457,100 shares at \$0.97 per share to employees of the Company. The costs associated with this issue were expensed.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	2009 \$000	2008 \$000
10 Contingent Liabilities		
Contingent liabilities existed at the end of the year in respect of –		
Pharmacist guarantees	2,158	3,955
Sigma Rewards guarantee	16,000	14,600
Other guarantees	4,891	2,740
	23,049	21,295

11 Consolidated Cash Flow Statements

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

Net profit after income tax expense	80,124	77,154
Depreciation expense	14,181	13,018
Amortisation expense	30,320	23,876
Share-based payments expense	1,001	993
Interest paid capitalised into plant and equipment	-	(3,417)
Impairment of assets	228	-
Reversal of impairment of NZ brand names	-	(750)
Loss/(profit) on sale of property, plant and equipment	(1,843)	(1,661)
Write-off of property, plant and equipment	4	2,362
<i>Changes in assets and liabilities:</i>		
(Decrease)/increase in income taxes payable	9,904	6,925
(Decrease)/increase in net deferred taxes payable	(1,227)	1,656
Decrease/(Increase) in inventories	28,965	11,040
(Increase)/decrease in trade, other debtors and prepayments	(17,300)	(10,363)
Increase/(Decrease) in trade, other creditors, employee entitlements and other provisions	101,523	(24,861)
Net cash flows from operating activities	245,880	95,972

(b) Reconciliation of cash and cash equivalents

Cash and cash equivalents	49,986	47,031
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Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

11 Consolidated Cash Flow Statements (continued)

(c) Entities acquired

Effective 22 February 2008, the Group acquired 100% of Orphan Holdings Pty Ltd ("Orphan"). Orphan's principal activities are the licensing, marketing and distribution of novel, highly specialised therapeutics from international pharmaceutical and biotech companies for sale in Australia and New Zealand. Details of the final fair values of the identifiable net assets acquired in respect of the Orphan acquisition, together with Orphan's carrying amounts immediately prior to acquisition, are detailed below. Note there was no change between the provisional values and the final values.

	Carrying value \$'000	Fair values recognised on acquisition \$'000
Current assets		
Cash and cash equivalents	1,482	1,482
Receivables	5,163	5,163
Inventory	4,230	5,303
Prepayments	289	289
Total current assets	11,164	12,237
Non-current assets		
Property, plant and equipment	221	221
Development costs	263	263
Distribution agreements	-	47,222
Customer relationships	-	13,059
Brandnames	-	3,589
Deferred tax assets	353	353
Total non-current assets	837	64,707
Total assets	12,001	76,944
Current liabilities		
Payables	(6,162)	(6,162)
Current income tax liabilities	(558)	(558)
Provisions	(175)	(175)
Total current liabilities	(6,895)	(6,895)
Non-current liabilities		
Provisions	(239)	(239)
Deferred tax liabilities	(84)	(16,812)
Total non-current liabilities	(323)	(17,051)
Total liabilities	(7,218)	(23,946)
Net assets	4,783	52,998
Fair value of net assets acquired		52,998
Goodwill arising on acquisition		79,600
		132,598
Consideration		
Cash		130,733
Costs associated with the acquisition		1,865
Total consideration		132,598
Less cash acquired		(1,482)
Net cash outflow on acquisition, as disclosed in cash flow statement		131,116

During the period 22 February 2008 to 31 January 2009, Orphan contributed revenues of \$37,795,000 and net profit after tax of \$4,566,800 (including fair value adjustments and amortisation of identified intangibles assets).

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

12 Investments accounted for using the equity method

During the prior period, a subsidiary of the Company entered into a joint venture with Plus Points Pty Ltd to manage and administer customer loyalty programmes. The 50:50 joint venture is an incorporated joint venture (PPS Loyalty Pty Ltd) and at 31 January 2008 (prior period) had not commenced trading. The joint venture accounts at 31 January 2008 reflected the cash contributions (and corresponding equity investment) from the joint venture partners.

(a) Movements in carrying amounts

	Consolidated	
	2009 \$'000	2008 \$'000
<i>Carrying amount at start of financial year</i>		-
Investment in jointly controlled entity	1,636	1,636
Joint venture fair value adjustments	-	-
Share of profits/(losses) before income tax	(266)	-
Share of income tax benefit	72	-
Other movements	(150)	-
<i>Carrying amount at end of financial year</i>	<u>1,292</u>	<u>1,636</u>

(b) Summarised financial information of joint ventures

The Group's share of the results of its joint ventures and its aggregated assets (including goodwill) and liabilities are as follows:

Group's share of:

	PPS Loyalty Pty Ltd	
	2009 \$'000	2008 \$'000
Balance Sheet		
Current assets	249	1,636
Non current assets	1,336	-
Current liabilities	(126)	-
Non current liabilities	(167)	-
Net Assets	<u>1,292</u>	<u>1,636</u>
Income Statement		
Revenues	1,228	-
Expenses (including income tax benefit)	(1,422)	-
Profit/(Loss) after tax	<u>(194)</u>	<u>-</u>

(c) Contingent liabilities of joint ventures

The joint venture has no contingent liabilities.

(d) Impairment considerations

The value of the jointly controlled entity Plus Points Pty Ltd, totalling \$1,292,000 has declined in value below original cost, which is deemed to be temporary in nature. These asset values are supported by future cash flow forecasts.

Notes to the Consolidated Financial Statements (continued)

Sigma Pharmaceuticals Limited

For the financial year ended 31 January 2009

	2009	2008
13 Net Tangible Asset Backing	Cents	cents
Net tangible asset backing per ordinary share	(16)	1

14 Compliance Statement

This report is based upon accounts that have been audited. The audit report, which is unqualified, will be made available with the Company's Annual Report.

15 Events subsequent to reporting date

Since the end of the financial year the directors have declared a final dividend of \$34,801,520 to be paid at a rate of 4.0 cents per ordinary share. The dividend is expected to be paid on 7 May 2009 to shareholders on the register at the record date of 6 April 2009. This dividend will be fully franked at the 30% corporate tax rate, in Australia.

As a result of the strong cash generation over the past year, Sigma approached our Lenders at the start of this year to refinance \$100 million of the \$200 million of syndicated debt facilities due September 2009. Our Lenders have provided us with Credit and Pricing approval for this refinance to a new maturity date of September 2011. We have also received Credit and Pricing approval to extend the maturity of the Westpac trade receivables program by twelve months to February 2011.