



API Delivers

Highlights 2001/02

API is...

an integrated healthcare services company with four core business operations – pharmaceutical distribution, manufacturing, retail pharmacy brands and hospital and medical distribution.

API was established as a chemists' co-operative in 1910 and listed on the ASX on 16 June 1997.

The Company achieved a national distribution network with the commencement of operations in Perth on 4 August 1998.

API acquired the Soul Pattinson business on 5 May 2000. The Soul Pattinson name is the most recognised name in pharmacy within Australia and has its roots in Sydney from 1872.

API acquired the Hospital Supplies of Australia business on 29 October 2001 providing wholesale distribution of hospital and medical supplies to public and private hospitals.

The API retail pharmacy banner groups are Soul Pattinson, Chemworld, Pharmacist Advice and API Health Care.

API's Vision is...

to be acknowledged as the leading company in health services by delivering valued products and services to our customers and suppliers, creating an environment where our employees are passionate about what they do, whilst embracing our responsibility to maximise shareholder wealth.

We will:

- act with the highest degree of integrity with all of our stakeholders;
- work with customers, suppliers and the government to ensure high quality services are provided to the community;
- value, develop, reward and recognise our employees for their contribution;
- deliver excellence in reliable and efficient distribution of our suppliers products and services;
- embrace change, strive to improve everything we do, be innovative and use technology to deliver competitive advantage; and
- support and respect the community and the environment.

Strong revenue growth up 15.4%

Revenue grew to \$1.918 billion, a gain on the previous year of \$256 million

Record profits up 21.2%

Net profit of \$34.7 million an increase of \$6.1 million

Earnings per share growth to 17.6 cents per share, an increase of 19.7%

Return on equity increased to 13.0% an increase of 17.0%

Dividends declared in the 2002 year of \$25.6 million 13.00 cents per share fully franked

Acquisition of Hospital Supplies of Australia
National distributor to public and private hospitals

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Chairman's Report



The financial year 2002 has been a year of strong growth, with significant progress made towards achieving the strategy of an integrated healthcare services company. While revenue growth is likely to slow due to constraints on the Pharmaceutical Benefits Scheme, we are expecting further efficiencies to be gained from the integration of the Hospital Supplies of Australia business within API and investment in material handling and IT systems. It should be noted that it is expected that sustainable growth for the future will be driven through the ageing demographics of the consumer in Australia, improved health solution products on the market and greater self medication health prevention and treatment by consumers generally.

Earnings Per Share and Dividends

Your Board has identified earnings per share before unusual items and amortisation of goodwill as a key measure of financial performance which this year was 18.5 cents per share, an increase of 19.4% on last year's 15.5 cents per share. Based upon this result, the Board approved a final dividend at 6.75 cents per share. Total dividends declared for the 2002 financial year were 13.00 cents per share, a 5.3% increase over the previous year. All dividends declared during the year were fully franked. The reported earnings was 17.6 cents per share compared with 14.7 cents per share last year.

Financial Performance

The Company's operating performance resulted in sales revenue growth of 15.1% with profit before tax of \$50.006 million, a 12.3% increase on last year. Net profit was \$34.657 million for the year compared with \$28.586 million last year. This is after a decrease in tax expense of \$0.603 million reflecting the reduction in company tax rates to 30%. Net profit increased by 21.2% over the previous year.

Merger Proposal

The Company announced on 15 February 2002 that it was holding discussions with Sigma Company Limited regarding a possible merger of the two companies. The companies sought the approval of the Australian Competition and Consumer Commission ('ACCC') to the proposed merger and were advised on 17 April 2002 that the ACCC would oppose the merger on competition grounds. Subsequently, the Companies announced that they will apply to the ACCC for authorisation of the proposed merger on a public benefit basis.

The proposed merger of API and Sigma will result in tangible public benefits. These include achieving distribution efficiencies in the national pharmaceutical supply chain, promoting the long-term sustainability of the Pharmaceutical Benefits Scheme, as well as the maintenance of service and pricing levels – especially in rural and remote communities. In addition, the creation of a regionally competitive and export-oriented Australian pharmaceutical manufacturing and distribution company has enormous long term

benefits to the healthcare system and the Australian public in general.

At the date of this report, it is anticipated that the outcome of the application for authorisation will be known by mid September 2002.

Shareholder Value

The Company's continued strong operating performance has provided the basis for the improvement in the share price which at the end of the financial year was \$3.43, an increase of 42.9% over last year. Shareholders will receive dividends of 13.00 cents per share for the 2002 financial year, which added to the share price increase produced a total shareholder return of 48.3%.

It is also encouraging to note that on a market capitalisation basis, your Company has continued to improve its position and is now in Australia's top 130 public companies listed on the Australian Stock Exchange.

Corporate Governance

Your Board is accountable to shareholders for the Company's performance and corporate governance practices. The Company's corporate governance practices provide the framework to achieve our business objectives while ensuring our business activities are conducted ethically and in accordance with the law.

During the year the restructured Board Committees have operated efficiently with all directors participating through the committee process. As part of the on-going review of corporate governance practices, the Board has approved during the year an Audit Committee charter, share trading policy and engagement of professional advisors policy.

Customer Focus

Your Board and the management team are committed to improving shareholder value. To achieve the strategic plan of an integrated healthcare services company, API must maintain the focus on delivering to its customers a superior service. By providing a superior service to that of competitors API will deliver shareholder value and create an environment which is both challenging and rewarding for employees.

The Directors acknowledge the efforts of the Company's management team and staff members led by Managing Director, Mr David Young, throughout a year of many challenges.

A handwritten signature in blue ink, appearing to read 'Frank J Conroy'.

Frank J Conroy
Chairman

Managing Director's Report

API Delivers!

API has continued to deliver strong operating performance for the financial year ended 30 April 2002.

Revenue up 15.4% to \$1.918 billion.
Profit before tax up 12.3% to \$50.006 million.

Operating Performance

The net profit was \$34.657 million, an increase of 21.2% and is very pleasing as sales growth in the second half slowed compared to the previous year due to lower growth in Pharmaceutical Benefits Scheme products. All divisions of the business provided revenue growth.

Profit contributions from South Australian and Western Australian operations were satisfying rewards for these operations which commenced as greenfield sites over the last four years.

During the early part of the financial year the integration of the Soul Pattinson business was completed. The benefits of a fully integrated Soul Pattinson brand are now being realised with increasing numbers of pharmacists joining the brand and expanding manufacturing opportunities for house branded products.

In the second half of the year Hospital Supplies of Australia ('HSA') was acquired with estimated full year revenue of \$180 million. The acquisition of the HSA business was an important part of the Company's strategic plan of extending its distribution expertise into the public and private hospital market and was a significant step towards API becoming the leading integrated distributor of healthcare products and services in Australia.

Outstanding Service to Customers

The API commitment to customer service is fundamental in providing a competitive advantage. API is able to provide an advantage to our customers through our service commitment including our delivery service, greater array of strong brands for retail pharmacy, retail pharmacy support services and assistance by API Finance and Pharmacy Sale in purchasing or selling a pharmacy.

Leadership in Hospital and Medical Supplies

During the year API acquired the HSA business and is now the leader in the national distribution of hospital and medical supplies to public and private hospitals and general medical practice in Australia. HSA combined with API's existing medical division currently has 25% market share in the national distribution market with opportunities to expand in a total market worth \$1.5 billion.

The integration of the HSA operations into API has been a significant challenge with HSA Victoria, South Australia and Western Australia now fully integrated into the respective API distribution centres.

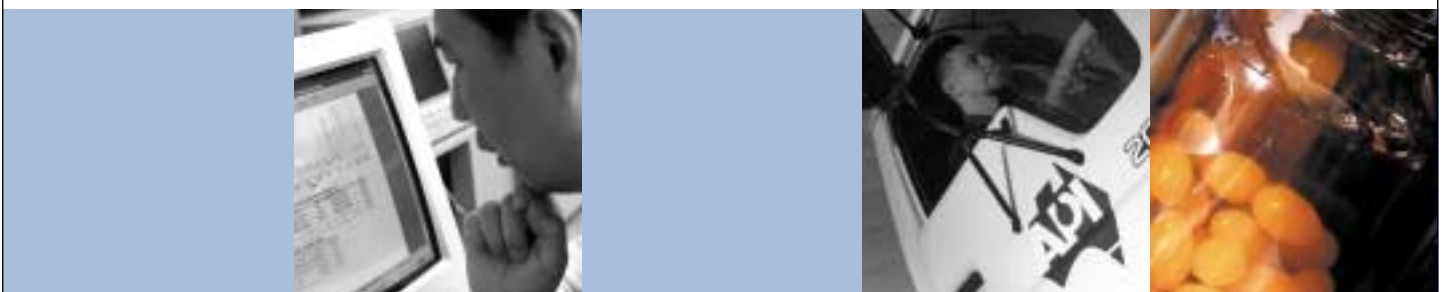
HSA is exploring the numerous opportunities that exist to further grow market share.

Future Growth

Revenue growth for the Company in the future will be through an ageing demographic profile, new drug development and increasing consumer awareness of available drug medication. The Soul Pattinson manufacturing operation will also provide revenue growth in own-brand products and in contract manufacturing as opportunities arise from multinational companies outsourcing their manufacturing operations.

Investment in our Future

Our future investments will deliver supply chain improvements aimed at lowering our overall cost of doing business. The Company will move to a new primary logistics facility at Camellia in western Sydney early next year. The facility will be a state of the art distribution centre specialising in split-case picking in a temperature controlled environment maximising the use of technology in material handling and IT systems. Assessment, selection and implementation of the material handling hardware and software systems will continue to be a major focus during the current financial year.



Investment in technology that is proven overseas but unique in Australia will provide the latest technology at low risk, to ensure our leadership as a low cost operator is sustainable while enhancing our service delivery. The Camellia facility will also provide the ability to offer logistic services to other retail customers.

API has invested in the South Australian business with the move to new premises in May 2002. The new distribution centre at Wingfield consolidates the API and HSA distribution business into the one facility enabling this business to continue growing.

API has continued to invest in our employees recognising that future development and growth of the business is dependent upon their initiative and commitment to customer service. The Company has recruited key individuals during the year to strengthen retail services expertise in our retail banner groups.

Social Accountability

API continues to support the pharmacy profession as it elevates the role of the pharmacist in the community healthcare system. Our support both financially and in resources is aimed at helping to achieve better health outcomes which are, and will continue to have, a significant impact upon the cost of providing healthcare to the Australian community.

It is our desire to see existing pharmacy infrastructures maintained so we can continue to actively support the industry endeavours to improve healthcare.

API employees share a common vision of providing an innovative and valuable service to our customers and increasing shareholder value.

The stakeholders in API can expect that in conducting business the Company and its employees will act in a socially responsible manner including:

- transparency in our business practices subject only to specific privacy requirements and normal commercial confidentiality;
- ready access for our customers to pricing and terms of the products and services we provide;
- acting with integrity, honesty, professionally ensuring we avoid conflicts of interest in all our business dealings as we strive to be a good corporate citizen;
- keeping our stakeholders informed about the Company's activities by ensuring we adhere to continuous disclosure policies;
- providing pharmaceutical distribution and related services to community pharmacy including regional and rural communities;

- recognising and respecting the rights of our employees in the workplace ensuring that the work conditions meet all the labour standards and laws of the respective states in which we operate;
- providing equal opportunity and non-discriminatory practices in the workplace ensuring that recruitment, promotion, training and remuneration are based upon merit;
- respecting the right of our employees to have freedom of association with representative organisations and to bargain collectively;
- providing in our financial statements for accrued employee entitlements including annual leave and long service leave taking into account future salary levels, periods of service and experience of employee departures;
- assisting employees during times of personal need with a confidential, independent, professional counselling service, which is available to all employees;
- providing a safe, healthy and clean working environment which exceeds the comprehensive set of Occupational Health & Safety (OH&S) policies and procedures which are monitored and regularly reviewed; and
- complying with all legislative and regulatory environmental requirements in our business operations as well as meeting the environmental standards of the broader community.

Acknowledgements

I wish to thank all members of the API team for their outstanding effort throughout the year and congratulate them on their many achievements. I also appreciate the support and guidance provided by the Chairman and directors. I thank our loyal customers, manufacturing partners and shareholders for their ongoing support of API. We look forward to enhancing our relationship with all of the stakeholders in API as we strive for continuing improvement in the business.



David C Young
Managing Director





Working

Everyone in our department takes care with our orders ensuring maximum customer satisfaction.

Kevin Butler
Despatch

Satisfying our customers' needs is our primary concern. Meeting their expectations is our reward.

Sharon Chapman-Baldwin
Merchandising





as one . . .

Identifying services which assist our pharmacy customers to become more profitable retailers.

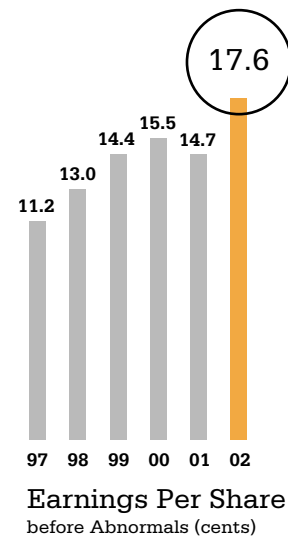
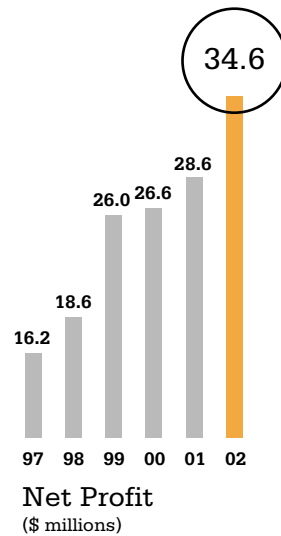
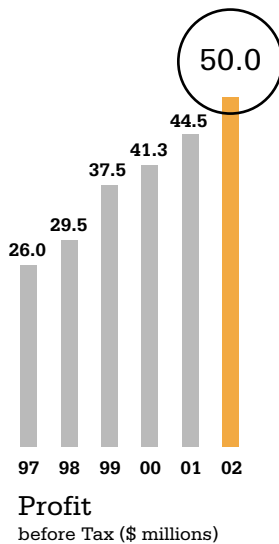
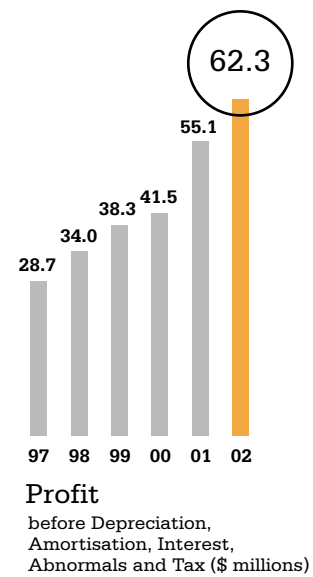
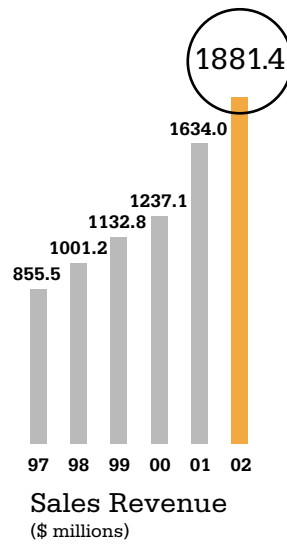
Janita Baldwin
Retail Services

My team is responsible for quality control in all aspects of product handling in the warehouse.

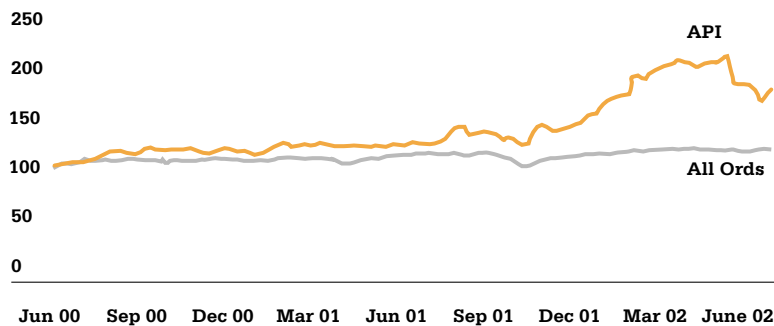
Mohammed Rafiq
Warehousing



Performance



Share Price
Performance (Base = 100)



API Accumulated Index vs All Ordinaries

Operations

Soul Pattinson

Highlights

- National manager appointed in September 2001 to drive new initiatives, consistency across states and value added services important to our customers' long term success.
- Successful integration of the Soul Pattinson retail management team and staff into API facilities.
- Introduction of an electronic loyalty card trial paving the way for the launch of a 'Special Privileges' loyalty program where consumers can generate points and collect rewards across Soul Pattinson pharmacies nationally.
- Management team strengthened to achieve the brand's objectives and to meet members' expectations of this successful, highly regarded and well known retail brand.

Outlook

During August 2002 we celebrate our 130th year of pharmacy leadership. After a year of consolidation in membership, the Soul Pattinson brand is growing and is well positioned to capitalise on its leading market position.

New products and services are being progressively rolled out as part of the brand offering. These include interactive training programs, retail management aids, innovative promotions, B2C web sites and alliance partnerships.

Pharmacist Advice

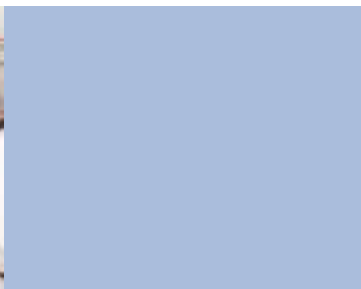
Highlights

- The media campaign designed to establish Pharmacist Advice as a brand proved very successful with 78% of respondents recalling the brand content or source of the Pharmacist Advice message and 72% relating Pharmacist Advice with prescription or professional advice.
- Following a strategic review of its business, significant changes to the Pharmacist Advice package were finalised towards the end of the year and will be rolled out progressively throughout the coming year. These changes have been well received by members and are seen as beneficial to their business.
- Pharmacist Advice has just released an innovative CD training program that is interactive and provides comprehensive information to further improve pharmacy assistants' knowledge in the thirteen health topics covered.

Outlook

The truly unique positioning of Pharmacist Advice with its forward pharmacy format where pharmacists dispense written and verbal advice, discuss drug interactions and side effects in a sit down environment with their customers will ensure continued growth and on-going consumer support.

With exciting new initiatives planned for release very shortly, Pharmacist Advice will add a new dimension to the existing package currently provided to better satisfy current members and attract new members.



Chemworld

Highlights

- National manager appointed in January 2002.
- Celebrating its 4th birthday and currently at 148 members, Chemworld is still the fastest growing retail pharmacy brand.
- Launch of the Chemworld gold member 'Exclusive Benefits Club' providing consumers who join the club significant advantages including cash vouchers, special discounts and exclusive promotional opportunities.
- National implementation of a special display unit in all stores providing comprehensive information to consumers on disease state management. The display features booklets and leaflets covering a variety of topics with a different disease state focus each month.

Outlook

Chemworld's mission is to deliver unbeatable value to its members for fees charged, provide a total solution that exceeds each member's retail and pharmaceutical expectations of a retail pharmacy brand and take full advantage of the economies of scale consistent with the memberships' unified approach to maximising opportunities that exploit competitive advantage and continual improvement.

The future looks very bright for this highly disciplined and consumer oriented pharmacy group.

API Health Care

Highlights

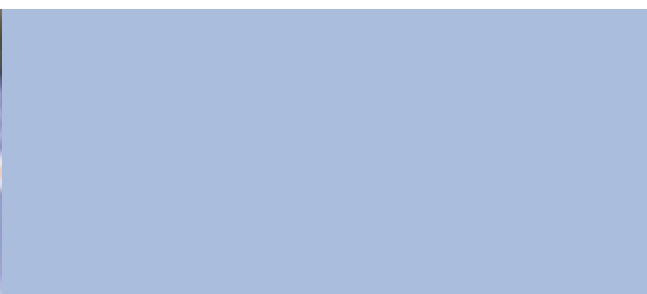
- Changes in logo, branding and standards reflecting a more modern design and image has been introduced and is being progressively implemented as new members join the group and existing members upgrade their premises.
- Continued growth in membership which currently stands at 162.
- New promotional formats and redesigned flyers that grab consumers' attention were introduced in January with very positive feedback from the membership.
- Better buying facilitated by the API Health Care 'Healthy Savings' directory of deals and discounts to members grew in value with new suppliers being added during the year.

Outlook

API Health Care is positioned as a banner group for pharmacists to use their collective strength to access better buying terms, promotions, housebrands and services whilst allowing maximum latitude for pharmacies to operate independently.

API Health Care is well placed to add real value to its membership by delivering cost effective solutions that assist independent pharmacies as competition continues to intensify with fewer, bigger and better pharmacies evolving.

A unique multi-faceted approach to marketing products, services and branding that members can access on a pay as you use basis will be released progressively throughout the coming year.



Board of Directors

Frank Conroy
Barry Frost
David Young
David Fairfull
Verilyn Fitzgerald
Graeme Herring
Robert Millner
Peter Robinson
Michael Smith

Executive Management

David Young
Chief Executive Officer

Michael Grant
Chief Operating Officer

Chris Gardoll
Chief Financial Officer

Chris Wettasinghe
General Manager
Merchandise, Inventory
& Medical

Stephen Ahearn
General Manager
Retail Brands & Corporate
Marketing

Joel Williams
General Manager
Corporate Development,
Systems & Logistics

David Glance
General Manager
Operations

David Kaye
General Manager
Soul Pattinson
Manufacturing

Mary Collins
Group Manager
Human Resources

Mark Williams
State Manager,
API NSW

Ian McDonald
State Manager,
API Queensland

Andrew Cater
State Manager,
API Victoria

Ken Atkinson
State Manager,
API SA/WA/NT



On the move...

Members of the Board visit the Camellia site currently under construction.

5 Year Results

	2002 \$000's	2001 \$000's	2000 \$000's	1999 \$000's	1998 \$000's
Sales revenue	1,881,406	1,634,047	1,237,141	1,132,806	1,001,209
Profit before depreciation, amortisation, interest, abnormals & tax	62,301	55,054	41,534	38,260	34,018
Depreciation & amortisation	6,818	6,442	4,017	3,639	3,578
Interest	5,477	4,074	1,596	1,943	975
Abnormal profit	–	–	5,380	4,852	–
Profit before tax	50,006	44,538	41,301	37,530	29,465
Tax	15,349	15,952	14,723	11,560	10,820
Net profit	34,657	28,586	26,578	25,970	18,645
Dividends	25,555	24,241	49,973	14,278	13,802
Total assets	657,341	542,276	383,070	357,963	316,921
Total liabilities	390,939	284,976	228,426	183,549	156,902
Shareholders' funds	266,402	257,300	154,644	174,414	160,019
Profit before tax on sales	2.66%	2.73%	3.34%	3.31%	2.94%
Net profit on shareholders' funds (average)	13.24%	11.20%	16.15%	15.53%	11.83%
Earnings per share – cents	17.6	14.7	18.1	18.0	13.0
Current assets to current liabilities	1.15:1	1.33:1	1.31:1	1.50:1	1.46:1
Number of employees (average)	890	816	666	638	618
Sales revenue per employee (\$,000)	2,114	2,003	1,858	1,776	1,620

	2002 \$000's	2001 \$000's
Cash Flow Summary		
Profit before tax (PBT)	50,006	44,538
Tax expense	(15,349)	(15,952)
Net profit	34,657	28,586
Goodwill amortisation	1,824	1,561
Depreciation	4,994	4,881
Borrowings	(5,477)	(4,070)
Income tax paid	(20,169)	(23,811)
Working capital investments	1,646	27,446
Net cash flows provided by operating activities	17,475	34,593

	2002 \$000's	2001 \$000's
Gearing		
Interest bearing debt	98,565	50,578
Cash	5,737	10,045
Net debt	92,828	40,533
Total shareholders' equity	266,402	257,300
Net debt to shareholders' equity	34.85%	15.75%
Net debt to net debt plus equity	25.84%	13.61%
PBT borrowing costs cover (times)	9.1	10.9

Australian Pharmaceutical Industries Limited
and its Controlled Entities A.C.N. 000 004 320

Concise Financial Report

The financial statements and other specific disclosures have been derived from Australian Pharmaceutical Industries Limited and its Controlled Entities ('consolidated entity') full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position, and financing and investing activities of the consolidated entity as the full financial report.

A copy of the consolidated entity's 2002 annual financial report, including the independent audit report, is available to all shareholders, and will be sent to shareholders without charge upon request. The 2002 annual financial report can be requested by telephone on 02 9843 5103 or by fax on 02 9630 0604.

Administration

Directors

Frank J Conroy
Chairman

Barry A Frost
Deputy Chairman

David C Young
Managing Director

David J Fairfull
Verilyn C Fitzgerald
Graeme L Herring
Robert D Millner
Peter R Robinson
Michael S Smith

Company Secretary

Christopher J Gardoll

Registered Office

102 Briens Road, Northmead, NSW 2152
Telephone 02 9843 5000
Facsimile 02 9843 5031
Website www.api.net.au

Share Register

Computershare Investor Services Pty Ltd
Level 3, 60 Carrington Street,
Sydney NSW 2000
Telephone 02 8234 5000
Facsimile 02 8234 5050

Solicitor

PricewaterhouseCoopers Legal

Principal Bankers

National Australia Bank Limited
Westpac Banking Corporation

Auditor

KPMG
Chartered Accountants

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Australian Pharmaceutical Industries Limited will be held on Tuesday, 3 September 2002 at 2.30pm at the Australian Stock Exchange Auditorium Exchange Square 10 Bridge Street Sydney

For full details and proxy form see separate document enclosed.

The directors have pleasure in presenting their report together with the financial report of Australian Pharmaceutical Industries Limited ('the Company') and the consolidated entity, being the Company and its controlled entities, for the year ended 30 April 2002 and the auditor's report thereon.

Directors

The directors of the Company at any time during or since the end of the financial year are:

Mr Frank J Conroy, *B.Com, MBA*

Chairman from 1 July 2001 – age 60

Independent non-executive director

Member of the Remuneration and Audit Committees

Mr Conroy joined the Board as a non-executive director on 29 October 1999. He was appointed Deputy Chairman on 29 October 1999 and Chairman on 1 July 2001. Mr Conroy is the Chairman of St George Bank Limited, Orix Australia Corporation Limited and is a director of Futuris Corporation Limited and Santos Limited.

He is a fellow of the Australian Institute of Banking and Finance, the Australian Institute of Management and the Australian Institute of Company Directors.

Mr Barry A Frost, *B.Pharm, FPS, FAIPM, Dip.Fin.Plan.*

Independent non-executive director – age 59

Deputy Chairman from 1 July 2001

Member of the Remuneration and Credit Committees

Mr Frost has been a director of API since 20 September 1993.

Mr Frost is a pharmacist and is a Fellow of the Pharmaceutical Society of Australia and a Fellow of the Australian Institute of Pharmacy Management.

Mr David C Young

Group Managing Director from 8 January 2001 – age 43

Mr Young has extensive retail experience in senior management roles with Target Australia and Dairy Farm International. In 1998 he was appointed Group Managing Director of Hallensteins Glassons Holdings, a New Zealand listed company.

His last appointment before joining the Company was with the A S Watson Group in Taiwan. He is a member of the Australian Institute of Company Directors.

Mr David J Fairfull, *B.Com, C.P.A., A.C.I.S., A.S.I.A.*

Non-executive director – age 60

Member of the Credit Committee

Mr Fairfull joined the Board on 5 May 2000

He is a non-executive director of Washington H Soul Pattinson and Company Limited and has been a director of Washington H Soul Pattinson and Company Limited since 1997.

Mr Fairfull is also Chairman of Glebe Australia Limited, SME Growth Ltd and SME Equities Pty Ltd and non executive director of Australian Food and Fibre Limited, Endeavour Custodians Pty Ltd, Gazal Corporation Limited, HSBC Building Society Limited, International Pacific Securities PLC (United Kingdom), Keith Harris & Co Ltd, NBN Group Limited, New Hope Corporation Ltd and Stockland Trust Group.

Ms Verilyn C Fitzgerald

Independent non-executive director – age 49

Member of the Remuneration Committee

Ms Fitzgerald was appointed as a director on 1 September 1997. She has extensive executive experience in the Information Technology Industry in Australia, USA and Asia.

Ms Fitzgerald is also a director of Blackmores Limited, a member of the Information Industries Advisory Board to NSW Department of State and Regional Development and is a member of the Australian Institute of Company Directors.

Mr Graeme L Herring, FCA, B.Com, Dip.Ed

Independent non-executive director – age 67

Chairman – Remuneration Committee
from 1 July 2001

Mr Herring joined the Board as an Associate Director on 1 May 1984 and was appointed as a director on 29 April 1997.

His other directorships include Carlton Investments Ltd Group, Amalgamated Holdings Limited Group and Louis Vuitton Australia Pty Limited.

Mr Robert D Millner

Non-executive director – age 51

Member of the Audit Committee

Mr Millner joined the Board on 5 May 2000. He is the Chairman of Washington H Soul Pattinson and Company Limited and has been a non-executive director of Washington H Soul Pattinson and Company Limited since 1984.

Mr Millner is also Chairman of Brickworks Limited, Keith Harris & Co Ltd, Choiseul Investments Limited and a director of Milton Corporation Limited and Clover Corporation Limited.

Mr Peter R Robinson, B.Com

Non-executive director – age 50

Member of the Audit Committee

Mr Robinson joined the Board on 5 May 2000. He joined Washington H Soul Pattinson and Company Limited in 1978 and was appointed a director of Washington H Soul Pattinson and Company Limited in 1984.

Mr Robinson is also a director of Clover Corporation Limited, Apex Healthcare Berhad (Malaysia), New Hope Corporation Ltd, Keith Harris & Co Ltd, Soul Pattinson Telecommunications Pty Ltd and NBN Group Limited.

**Mr Michael S Smith, M.Sc., B.Pharm(Hons),
Diploma of Business Administration**

Independent non-executive director – age 56

Chairman – Audit Committee from 1 July 2001

Mr Smith joined the Board on 25 August 1981

He is a pharmacist and is President of the Lismore Pharmacists Association.

The Hon Doctor John C J Matthews,

FPS, Hon DHSt Csturt

Chairman to 30 June 2001 – age 74

Chairman – Remuneration Committee
to 30 June 2001

Retired as a director on 30 June 2001

Mr Matthews joined the Board of API as a non-executive director on 20 August 1975 and was appointed Chairman in 1982.

Mr Matthews was a Member of the New South Wales Legislative Council from 1981 to 1991 and, prior to that, was Mayor of Bathurst from 1965 to 1976.

A pharmacist, Mr Matthews is a Director and Executive Member of the Australian Pharmacy Research Centre, and he is also a Fellow of the Australian Institute of Company Directors.

Mr Esmond Ross Brown, AM, RFD, ED, Hon.

M.Pharm (Syd), FPS

Non-executive director to 30 June 2001 – age 69

Retired as a director on 30 June 2001

Mr Brown was first elected to the Board in 1962 and served until 1975. He rejoined the Board on 18 August 1976.

Mr Brown is a pharmacist, and was previously National President of the Pharmaceutical Society of Australia.

He is a Councillor of the Pharmaceutical Society of Australia (NSW Branch), a Fellow of the Pharmaceutical Society of Australia and a Fellow of the Australian Institute of Pharmacy Management.

Mr Brown is also a Fellow of the Australian Institute of Company Directors.

He is a director of Pan Pharmaceuticals Limited.

In accordance with the Company's Constitution, Messrs Peter Robinson and Graeme Herring retire by rotation from the Board of Directors and, being eligible, offer themselves for re-election.

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Credit Committee Meetings	
	Number attended	Number held*	Number attended	Number held*	Number attended	Number held*	Number attended	Number held*
Mr F J Conroy	14	14	3	3	6	6	–	–
Mr B A Frost	14	14	–	–	4	5	8	8
Mr D C Young†	14	14	–	–	–	–	–	–
Mr D J Fairfull	14	14	–	–	–	–	8	8
Ms V C Fitzgerald	14	14	–	–	6	6	–	–
Mr G L Herring	13	14	–	–	6	6	–	–
Mr R D Millner	12	14	3	3	–	–	–	–
Mr P R Robinson	14	14	3	3	1	1	–	–
Mr M S Smith	13	14	3	3	–	–	–	–
The Hon J C J Matthews	2	2	–	–	1	1	–	–
Mr E R Brown	2	2	–	–	–	–	–	–

* Number of meetings held during the time the director held office during the year.

† Mr Young attended all Audit and Remuneration Committee meetings by invitation.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year were the wholesale distribution of pharmaceutical and allied products and the provision of finance and retail services to pharmacists.

There were no significant changes in the nature of the activities of the consolidated entity during the year except for the acquisition on 29 October 2001 of the Hospital Supplies of Australia ('HSA') hospital and medical distribution business.

Review and Results of Operations

The net profit earned by the consolidated entity during the year was \$34.657 million (2001: \$28.586 million). Income tax relating to ordinary activities amounted to \$15.349 million (2001: \$15.952 million).

The profit from ordinary activities before income tax amounted to \$50.006 million, an increase of 12% on the previous year's \$44.538 million.

The results achieved by the consolidated entity in the pharmaceutical distribution industry continued to be considered very satisfactory.

The Group's operations continued to gain market share in all states with improved trading profit performance recorded in each operation. Soul Pattinson (Manufacturing) Pty Ltd increased revenue and contributed significantly to the trading performance.

Dividends

The amounts paid or declared by way of dividend by the Company since the end of the previous financial year were:

- as proposed and provided in last year's report:
 - a final dividend of 6.25 cents per share, franked to 100% with Class C (30%) franking credits paid on 3 August 2001 amounting to \$12,267,981.
- in respect of the current year:
 - an interim dividend of 6.25 cents per share, franked to 100% with Class C (30%) franking credits paid on 30 January 2002 amounting to \$12,286,234; and
 - a final dividend of 6.75 cents per share, franked to 100% with Class C (30%) franking credits to be paid on 2 August 2002, amounting to \$13,269,127.

State of Affairs

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

- On 29 October 2001 the Company acquired the hospital and medical wholesale distribution business of Hospital Supplies of Australia ('HSA') from the Victorian Healthcare Association Limited. The value of the net assets acquired was \$3,776,507. The goodwill on acquisition was \$9,095,263.
- On 10 January 2002 the Company issued 291,956 shares for no consideration to eligible employees under the Employee Share Ownership Plan.

Environmental Regulation

The consolidated entity's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of these environmental requirements as they apply to the consolidated entity.

Events Subsequent to Balance Date

Australian Pharmaceutical Industries Limited and Sigma Company Limited announced on 15 February 2002 that they were pursuing discussions concerning a possible merger of the two companies. Subsequent to year end the Australian Competition and Consumer Commission ('ACCC') advised it would oppose the merger. The Company advised on 4 June 2002 that the two companies will apply to the ACCC for authorisation of the proposed merger in accordance with Section 90 of the Trade Practices Act 1974 which allows the ACCC to authorise a merger in circumstances where the public benefits arising from a merger are likely to outweigh the ACCC's competition concerns.

The Company has incurred costs of \$1,625,827 during the merger due diligence and ACCC approval process which have been deferred in the financial statements until a final decision is made in respect of the merger. Should the merger proceed these costs will be included in the cost of acquisition however, should the merger be unsuccessful the costs will be required to be written off in the result for the year ending 30 April 2003.

Other than the matter discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

Likely Developments

The consolidated entity will continue to pursue its policy of increasing the profitability and market share of its national pharmaceutical distribution business during the next financial year. Further information as to likely developments in the operations of the consolidated entity and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

Directors' and Senior Executives' Emoluments

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Executive directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flows). Options are also issued under the Executive Share Option Plan. The ability to exercise options is conditional on the Company achieving certain performance hurdles. Non-executive directors do not receive any performance related remuneration. Details of the nature and amount of each major element of the emoluments of each director of the Company and each of the five named officers of the Company and the consolidated entity receiving the highest emoluments are detailed in notes 6 and 7 of the concise financial report.

Options

Since the end of the financial year the Company has issued options over unissued ordinary shares to the following director and to the following of the five most highly remunerated officers of the Company as part of their remuneration.

	Number of options granted	Exercise price	Expiry date
Director			
Mr D C Young*	200,000	\$3.45	3 June 2007
Executives			
Mr C J Gardoll	60,000	\$3.45	3 June 2007
Mr M G Grant	60,000	\$3.45	3 June 2007
Mr V C Wettasinghe	60,000	\$3.45	3 June 2007
Mr S E V Ahearn	60,000	\$3.45	3 June 2007

*The grant of options to the Managing Director is subject to the approval of shareholders at the Annual General Meeting on 3 September 2002.

All options were granted since the end of the financial year and have therefore not been included in the calculation of directors and executives remuneration for the year ended 30 April 2002.

At the date of this report unissued ordinary shares of the Company under options are:

Exercise period	Exercise price	Number of options granted	Number of options exercised*
12 January 2001 – 11 January 2003	\$2.18	200,000	200,000
2 March 2001 – 1 March 2003	\$2.44	435,000	225,000
1 June 2001 – 31 May 2003	\$2.10	75,000	60,000
31 August 2001 – 30 August 2003	\$2.13	300,000	300,000
2 November 2001 – 1 November 2003	\$1.91	40,000	–
28 June 2002 – 27 June 2004	\$1.93	30,000	–
1 July 2002 – 30 June 2004	\$1.92	40,000	40,000
30 August 2002 – 29 August 2004	\$2.05	320,000	–
4 June 2005 – 3 June 2007	\$3.45	820,000	–

*Options have been exercised since the end of the financial year.

All options expire on the earlier of the end of the exercise period or termination of the employee's employment subject to the Board's discretion.

In addition, the ability to exercise the options is conditional on the consolidated entity achieving a performance hurdle. To reach the performance hurdle, the growth in API's Accumulation Index compared with growth in the All Industries Accumulation Index over a minimum of three years from the date the options were granted must be 80% of the median for 50% of the options to be exercisable, up to 120% of the median, on a pro-rata basis, for 100% of the options to be exercisable.

All options issued with an exercise period commencing prior to and including 30 August 2002 have achieved the maximum performance hurdle and are exercisable within the exercise period.

The options issued subsequent to year end with an exercise period commencing on 4 June 2005 are able to be exercised conditional upon the consolidated entity achieving a performance hurdle. The performance hurdle is a 7.5% compound growth in EPS over the three year period commencing 1 May 2002 and is able to be achieved up to the end of the exercise period using the EPS compound growth over the most recent three year period. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Since the end of the financial year the Company has issued 825,000 ordinary shares as a result of the exercise of options. The market value of shares on the dates these options were exercised was between \$3.32 and \$3.60.

Directors' Interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with section 205G(1) of the Corporations Act, 2001, at the date of this report is as follows:

	Ordinary Shares	Options over Ordinary Shares
Mr F J Conroy	5,000	–
Mr B A Frost	461,548	–
Mr G L Herring	100,403	–
Mr R D Millner	11,000	–
Mr P R Robinson	15,500	–
Mr M S Smith	192,498	–
Mr D C Young	–	200,000
Ms V C Fitzgerald	5,000	–
Mr D J Fairfull	–	–

Insurance of Directors and Officers

During the year the Company paid a premium in respect of a contract insuring its directors and officers against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith. The contract covers any past, present or future director, secretary, executive officer or employee of the Company and its controlled entities. Further details have not been disclosed due to confidentiality provisions of the contract of insurance.

Rounding Off of Amounts

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Dated at Sydney this 26 day of July 2002.

Signed in accordance with a resolution of the directors:



Frank J Conroy
Director

Scope

We have audited the concise financial report of Australian Pharmaceutical Industries Limited ('the Company') and its controlled entities for the financial year ended 30 April 2002, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 8 and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows set out on pages 22 to 32 in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Australian Pharmaceutical Industries Limited and its controlled entities for the year ended 30 April 2002. Our audit report on the full financial report was signed on 18 July 2002 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* issued in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion the concise financial report of Australian Pharmaceutical Industries Limited and its controlled entities for the year ended 30 April 2002 complies with AASB 1039 *Concise Financial Reports* issued in Australia.

KPMG

G Boydell
PartnerSydney,
26 July 2002

Directors' Declaration

In the opinion of the directors of Australian Pharmaceutical Industries Limited the accompanying concise financial report of the consolidated entity, comprising Australian Pharmaceutical Industries Limited and its controlled entities for the year ended 30 April 2002, set out on pages 22 to 32:

- (a) has been derived from or is consistent with the full financial report for the financial year; and
- (b) complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Dated at Sydney this 26 day of July 2002.

Signed in accordance with a resolution of the directors:



Frank J Conroy
Director

The consolidated entity's total revenue for 2002 increased by 15.4% to \$1,918,178,000.

All states increased their sales revenue compared to 2001 with a 15.1% increase nationally.

The decline in the effective tax rate from 35.8% to 30.7% is primarily a result of:

- a decrease in the corporate tax rate in the current year from 34% to 30%; and
- re-statement of deferred tax balances in the prior year by \$330,000 due to the reduction in the company tax rate.

Return on revenue (net profit on total revenue) increased from 1.72% to 1.81%.

Return on total assets (including intangibles) was unchanged at 5.27%.

Return on equity (net profit attributable to the members of the Company on shareholders' equity attributable to the members of the Company) increased from 11.11% to 13.00%.

	Note	Consolidated	
		2002	2001
		\$000's	\$000's
Revenue from sale of goods		1,881,406	1,634,047
Revenue from rendering of services		24,917	17,934
Other revenue from ordinary activities		11,855	10,697
Total revenue		1,918,178	1,662,678
Cost of sales		(1,750,091)	(1,519,735)
Warehouse & distribution expenses		(53,357)	(43,880)
Marketing & sales expenses		(8,138)	(6,092)
Administration & general expenses		(51,109)	(44,359)
Borrowing costs		(5,477)	(4,074)
Profit from ordinary activities before related income tax expense		50,006	44,538
Income tax expense relating to ordinary activities		(15,349)	(15,952)
Net profit	3	34,657	28,586
Basic earnings per share – ordinary shares		17.6¢	14.7¢
Diluted earnings per share – ordinary shares		17.6¢	14.7¢

The statement of financial position is to be read in conjunction with the discussion and analysis on page 22 and the notes to the financial statements set out on pages 28 to 32.

The consolidated entity's total assets increased over the year by \$115,065,000 to \$657,341,000 (2001: \$542,276,000).

The consolidated entity's net assets increased by 3.54% to \$266,402,000 over the year due to the growth in the business including the acquisition of the Hospital Supplies of Australia ('HSA') business.

The increase in total assets principally comprises:

- an increase in trade debtors of \$45,147,000 resulting from the increase in sales and the acquisition of the HSA business;
- the total finance and loan receivables including securitised loans have increased by \$29,080,000 to \$131,172,000; and
- an increase in inventories of \$31,292,000 as a result of an increase in sales and the acquisition of the HSA business.

The debt to equity ratio is 37.0%. This has increased from 19.7% in 2001 due to increased working capital requirements and the acquisition of the HSA business for \$12,872,000.

Statement of Financial Position

for the year ended 30 April 2002

	Note	Consolidated	
		2002	2001
		\$000's	\$000's
Current Assets			
Cash assets		5,737	10,045
Receivables		296,883	253,252
Inventories		143,343	112,051
Other		1,437	1,037
Total Current Assets		447,400	376,385
Non-Current Assets			
Receivables		109,540	75,723
Property, plant & equipment		23,137	23,415
Intangible assets		70,240	62,969
Deferred tax assets		5,398	3,784
Other		1,626	–
Total Non-Current Assets		209,941	165,891
Total Assets		657,341	542,276
Current Liabilities			
Payables		267,835	210,495
Interest bearing liabilities		98,565	50,578
Current tax liabilities		1,098	1,648
Provisions		21,334	19,354
Total Current Liabilities		388,832	282,075
Non-Current Liabilities			
Deferred tax liabilities		218	655
Provisions		1,889	2,246
Total Non-Current Liabilities		2,107	2,901
Total Liabilities		390,939	284,976
Net Assets		266,402	257,300
Shareholders' Equity			
Contributed equity		243,412	243,412
Reserves		517	517
Retained profits	3	22,473	13,371
Total Shareholders' Equity		266,402	257,300

The statement of financial position is to be read in conjunction with the discussion and analysis on page 24 and the notes to the financial statements set out on pages 28 to 32.

The decrease in cash flows provided by operating activities has largely been influenced by an increase in inventories and debtors subsequent to the acquisition of the HSA business and growth in the existing business.

Cash flows utilised in investing activities on the payment for the HSA business were financed by borrowings.

Customer lease financing and loans was financed by proceeds from loans securitised, the repayment of existing leases and loans and borrowings.

Statement of Cash Flows

for the year ended 30 April 2002

	Consolidated	
	2002	2001
	\$000's	\$000's
Cash flows from operating activities		
Cash receipts in the course of operations	2,034,201	1,731,159
Cash payments in the course of operations	(2,002,692)	(1,678,970)
Dividends received	–	825
Interest received	11,612	9,464
Borrowing costs paid	(5,477)	(4,074)
Income taxes paid	(20,169)	(23,811)
Net cash provided by operating activities	17,475	34,593
Cash flows from investing activities		
Payments for property, plant & equipment	(3,932)	(4,797)
Proceeds from sale of property investments	243	408
Proceeds from investments	–	3,000
Payment for the acquisition of a controlled entity or business net of cash acquired	(12,872)	(3,180)
Payment for intangibles	–	(500)
Customer leases/loans granted	(137,603)	(95,500)
Customer leases/loans repaid	129,887	86,674
Deposit on securitised loans	(20,939)	(12,065)
Net cash (used in) investing activities	(45,216)	(25,960)
Cash flows from financing activities		
Proceeds from borrowings	48,000	30,000
Dividends paid	(24,554)	(53,128)
Repayment of depositor loans	(13)	(184)
Net cash provided by/(used in) financing activities	23,433	(23,312)
Net decrease in cash held	(4,308)	(14,679)
Cash at beginning of financial year	10,050	24,729
Cash at the end of the financial year	5,742	10,050

The statement of cash flows is to be read in conjunction with the discussion and analysis on page 26 and the notes to the financial statements set out on pages 28 to 32.

1. Basis of preparation of concise financial report

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 *Concise Financial Reports* and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out below, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report.

Changes in accounting policy

Revaluation of non-current assets

The consolidated entity has applied revised AASB 1041 *Revaluations of Non-Current Assets* for the first time from 1 May 2001. The standard requires each class of non-current assets to be measured on either the cost or fair value basis. AASB 1041 does not apply to inventories, foreign currency monetary assets, goodwill, investments accounted for using the equity method, deferred tax assets and other assets measured at net market value where the market value movements are recognised in the statement of financial performance.

The consolidated entity has continued to apply the cost basis for other non-current assets such as receivables, plant and equipment.

The consolidated entity has adopted the cost basis for land and buildings and has deemed the cost of the land and buildings to be equal to the carrying values of the land and buildings as at 1 May 2001. The change in accounting policy has no financial effect in the current or prior financial years. As a consequence of making this election the balance of the Asset Revaluation Reserve which is no longer available for asset write-downs is \$442,000.

Earnings Per Share

The consolidated entity has adopted early the revised Accounting Standard AASB1027 *Earnings Per Share* (issued June 2001) in the financial statements

Reclassification of information

Some line items and sub-totals reported in the previous financial year have been reclassified and repositioned in the financial statements as a result of the first time application on 1 May 2001 of the revised standards AASB 1018 *Statement of Financial Performance*, AASB 1034 *Financial Report Presentation and Disclosures* and the new AASB 1040 *Statement of Financial Position*.

Adoption of these standards has resulted in the transfer of the reconciliation of opening to closing retained profits from the face of the statement of financial performance to Note 3.

Revenue and expense items previously disclosed as abnormal have been reclassified and are now disclosed as individually significant items. These items are no longer identified separately on the face of the statement of financial performance.

The following assets and liabilities have been removed from previous classifications and are now disclosed as separate line items on the face of the statement of financial position:

- deferred tax assets, previously presented within other non-current assets;
- current tax liabilities, previously presented within current provisions; and
- deferred tax liabilities, previously presented within non-current provisions.

2. Segment information

The consolidated entity operates in Australia predominantly as a wholesale distributor of pharmaceutical and allied products and provider of finance and retail services to pharmacies.

3. Retained profits

	Consolidated	
	2002	2001
	\$000's	\$000's
Retained profits at beginning of year	13,371	9,026
Net profit	34,657	28,586
Dividends	(25,555)	(24,241)
Retained profits at end of year	22,473	13,371

4. Dividends

Dividends proposed or paid by the Company are:

	Cents per share	Total amount \$000's	Date of payment	Tax rate for franking credits	Percentage franked
2002					
Interim – ordinary	6.25	12,286	30 January 2002	30%	100%
Final – ordinary	6.75	13,269	2 August 2002	30%	100%
		25,555			
2001					
Interim – ordinary	6.10	11,973	29 January 2001	34%	100%
Final – ordinary	6.25	12,268	3 August 2001	30%	100%
		24,241			

	Company	
	2002	2001
	\$000's	\$000's

Dividend Franking Account

Balance of franking account adjusted for franking credits which will arise from the payment of income tax provided for in the financial statements, and after deducting franking credits to be used in payment of the above dividends:

Class C (30% {2001 : 34%}) franking credits	25,440	3,893
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The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

5. Contingent liabilities

	Consolidated	
	2002	2001
	\$000's	\$000's
Guarantee of bank accounts of pharmacy customers	94,737	89,775

The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstances or information which would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

These guarantees are not secured upon the consolidated entity's assets. The Company has strict controls over the approval of guarantees of bank accounts of pharmacy customers and takes security over the assets of the relevant pharmacy.

6. Directors' remuneration

Directors' emoluments

Details of the nature and amount of each major element of the emoluments of each director of the Company and the consolidated entity are:

Director	Base emoluments	Bonuses	Non-cash benefits	Superannuation contributions	Retirement benefits	Total
	\$	\$	\$	\$	\$	\$
Non-executive						
Mr F J Conroy	111,000	–	–	8,880	–	119,880
Mr D J Fairfull	45,500	–	–	3,640	–	49,140
Ms V C Fitzgerald	47,000	–	–	3,760	–	50,760
Mr B A Frost	63,000	–	–	5,040	–	68,040
Mr G L Herring	56,000	–	–	4,480	–	60,480
Mr R D Millner	45,500	–	–	3,640	–	49,140
Mr P R Robinson	53,500	–	–	4,280	–	57,780
Mr M S Smith	51,000	–	–	4,080	–	55,080
Mr E R Brown	8,667	–	–	693	158,000	167,360
The Hon J C J Matthews	17,000	–	–	1,360	306,000	324,360
Executive						
Mr D C Young	479,254	83,333	24,648	37,219	–	624,454

There were no options issued during the financial year.

7. Executives' remuneration

Executives' emoluments

Details of the nature and amount of each of the five named officers who received the highest emoluments of the Company and the consolidated entity are:

Officer	Base emoluments \$	Bonuses \$	Non-cash benefits \$	Superannuation contributions \$	Retirement benefits \$	Total \$
Mr C J Gardoll Chief Financial Officer	209,242	60,000	26,189	30,252	–	325,683
Mr M G Grant Chief Operating Officer	182,916	70,000	22,286	26,446	–	301,648
Mr V C Wettasinghe General Manager – Merchandise, Inventory & Medical	165,207	60,000	29,206	23,886	–	278,299
Mr S E V Ahearn General Manager – Retail Brands & Corporate Marketing	178,122	45,000	23,793	25,753	–	272,668
Mr K I Murchison General Manager – Information Technology	27,749	83,333	6,146	4,133	408,471	529,832

There were no options issued during the financial year.

8. Events subsequent to balance date

Australian Pharmaceutical Industries Limited and Sigma Company Limited announced on 15 February 2002 that they were pursuing discussions concerning a possible merger of the two companies. Subsequent to year end the Australian Competition and Consumer Commission (ACCC) advised it would oppose the merger. The Company advised on 4 June 2002 that the two companies will apply to the ACCC for authorisation of the proposed merger in accordance with Section 90 of the Trade Practices Act 1974 which allows the ACCC to authorise a merger in circumstances where the public benefits arising from a merger are likely to outweigh the ACCC's competition concerns.

The Company has incurred costs of \$1,625,827 during the merger due diligence and ACCC approval process which have been deferred in the financial statements until a final decision is made in respect of the merger. Should the merger proceed these costs will be included in the cost of acquisition however, should the merger be unsuccessful the costs will be required to be written off in the result for the year ending 30 April 2003.



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Healthcare Services

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