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Annual Report 2016/17

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# DIRECTORS' REPORT

The Directors present their report on Sigma Pharmaceuticals Limited (the 'Company') and its controlled entities (the 'Group') for the year ended 31 January 2017.

## Directors

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

Mr B Jamieson  
 Mr M Hooper  
 Mr D Bayes  
 Mr R Gunston  
 Mr D Manuel  
 Ms K Spargo  
 Ms C Bartlett – appointed 30 March 2016

## Operating and Financial Review

### Operations

The Group is the largest full line pharmaceutical wholesale and distribution business in Australia, delivering daily to pharmacies Australia wide. The Group also operates Australia's largest pharmacy-led network, with around 700 members representing the brands Amcal+, Chemist King, Discount Drug Stores, Guardian and PharmaSave.

The Group has expanded its existing logistics services, with Central Healthcare Services Pty Limited (CHS) now having a national presence from which it is providing third party logistics services and services to community pharmacy and it also supports the Group's expansion into national hospital pharmacy distribution.

The Group manages and promotes a range of over-the-counter Private and Exclusive products made available to brand member customers, as well as the Pharmacy Care Private Label range that is made available to all pharmacy customers.

### Financial Performance

The Group consolidated Net Profit After Tax (NPAT) attributable to the owners of the Company for the year ended 31 January 2017 of \$53,184,000 was up 5.3% from the prior year (\$50,502,000).

	2017 \$'000	2016 \$'000
<b>Reported NPAT attributable to owners of the Company</b>	<b>53,184</b>	50,502
<u>Add back:</u>		
Litigation settlement expense after tax	<b>7,958</b>	-
Provision for doubtful debtors – single pharmacy group	<b>5,783</b>	-
Additional contingent consideration from prior year acquisitions	-	7,784
Amortisation of other intangibles acquired	-	940
<b>Underlying NPAT attributable to owners of the Company</b>	<b>66,925</b>	59,226
<b>Reported EBIT</b>	<b>80,955</b>	80,071
<u>Add back:</u>		
Litigation settlement expense before tax	<b>11,368</b>	-
Provision for doubtful debtors – single pharmacy group	<b>8,262</b>	-
Additional contingent consideration from prior year acquisitions	-	7,784
Amortisation of other intangibles acquired	-	940
Share of EBIT of equity accounted investees before tax	-	300
<b>Underlying EBIT</b>	<b>100,585</b>	89,095
Less: Non-controlling interests before interest and tax	<b>(357)</b>	79
<b>Underlying EBIT attributable to owners of the Company</b>	<b>100,228</b>	89,174

Reported Earnings Before Interest and Tax (EBIT) of \$80,955,000 was up 1.1% on the prior year. The underlying EBIT attributable to owners of the Company of \$100,228,000 was up 12.4% from \$89,174,000 reported in the prior year.

# DIRECTORS' REPORT CONTINUED

## Operating and Financial Review continued

### Financial Performance continued

Both periods were impacted by significant one-off items. In the current period, an expense of \$11,368,000 before tax (\$7,958,000 after tax) resulted from the insurance reimbursement relating to the 2012 class action settlement, and a doubtful debt provision was raised against a single pharmacy group, totalling \$8,262,000 before tax (\$5,783,000 after tax). In the prior year, there was a \$8,724,000 accounting adjustment required, which consisted of additional contingent consideration of \$7,784,000 as a result of the acquisition of CHS and DDS performing ahead of expectations, and the amortisation of other intangibles recorded as part of these acquisitions of \$940,000.

Removing the impact of the one-off adjustments discussed above, the Underlying NPAT attributable to owners of the Company was up 13.0% to \$66,925,000 (\$59,226,000 in the prior year).

Sales revenue increased by 26.2% to \$4,366,208,000 for the period, up from \$3,461,104,000 in the prior year. The increase in sales revenue was heavily influenced by the PBS listing of high cost Hepatitis C medications from March 2016. Sales revenue (excluding Hepatitis C medications) was up 6.3% for the period, which was driven by a number of contributing factors including:

- volume growth during the period of 4.7%;
- a continued focus on supporting key customer groups including Sigma brands; and
- partly being offset by the impact of reduced prices from the ongoing Pharmaceutical Benefits Scheme (PBS) price reform.

Gross profit for the period of \$289,546,000 was up 9.9% from \$263,354,000 in the prior year. Total gross margin of 6.6%, down from 7.6%, reflects the sales of the high cost and low margin Hepatitis C medications. Excluding the influence of Hepatitis C sales, underlying gross margin increased to 7.8%.

Other revenue was up 9.7% to \$77,153,000 (\$70,349,000 in the prior year). Other revenue includes pharmacy brand member fees, supplier rebates, promotional and marketing income and data analytics services, with growth supporting the continued focus on diversifying earnings away from regulated income sources.

Warehouse and delivery expenses of \$131,321,000 for the current period were up 6.8% from the prior year (\$122,948,000). This increase reflects a combination of 4.7% volume growth, the full year inclusion of the CHS Eastern Creek distribution centre in NSW, and increases relating to the Enterprise Bargaining Agreement (EBA), partly offset by savings achieved through efficiency gains. Future operational efficiencies are expected to be driven by the Group's investment in key distribution centres commencing with the Group's site at Berrinba in Queensland, which is anticipated to be operational towards the end of the 2018 financial year.

Sales and marketing expenses of \$75,797,000 for the period were up 24.0% from \$61,147,000 in the prior year. The increase is largely driven by the investment in marketing support for our existing pharmacy brands, and the impact of the increase in the provision for doubtful debtors.

Administration costs of \$58,971,000 for the period were up 13.9% from \$51,786,000 in the prior year. The cost increase largely relates to an increased investment in business development and project management activities to support future growth.

Net interest expense of \$4,286,000 was up from \$3,480,000 in the prior year, reflecting a combination of a slightly higher average monthly debt position and net debt at year end of \$8,756,000 resulting from the payment of dividends and business investment.

Income tax expense of \$23,163,000 (effective tax rate of 30.2%) was down from \$26,386,000 (effective tax rate of 34.4%) in the prior year. The comparative was largely impacted by the one-off expenses noted above, which were not deductible for tax purposes.

### Financial Position

The Group's net assets in the last 12 months decreased from \$553,654,000 to \$538,587,000.

The working capital balance of \$387,132,000 was down from \$490,373,000 in the prior year, with the Cash Conversion Cycle (CCC), being the net of days sales outstanding, days inventory on hand and days payable outstanding, decreasing by 20 days for the current period. Adjusting for the influence of the high cost Hepatitis C medications, the CCC improved by 15 days to 36 days.

Underlying Return on Invested Capital<sup>1</sup> (ROIC) continued to improve, achieving 16.8% for the current period compared to 14.6% for the prior year. ROIC remains a strong focus for management, with improvements achieved through a combination of increased earnings and a reduction in working capital.

The continuation of the on-market share buy-back program saw \$4,990,000 invested to acquire and cancel 4,202,096 shares. Since the program commenced in October 2012, the Company has invested \$86,599,000 to acquire and cancel 116,137,602 shares, 9.8% of issued capital at the commencement of the program, at an average price of \$0.75 per share.

1. Underlying pre-tax ROIC is based on the last 12 months of earnings (EBIT) excluding one-off litigation settlement expense before tax and earnings from non-controlling interests.



## Likely Developments and Expected Results of Operations

Consistent with our overarching vision and strategy, the Group continues to invest in our core business to drive improved operational efficiencies and reduce our reliance on income derived from distributing PBS-listed medicines. This is also complemented by a proactive business development program.

The Group is currently constructing a new distribution centre on owned land in Berrinba in South East Queensland. Construction on the site commenced in May 2016 with the site anticipated to be operational towards the end of the 2018 financial year. Subsequent to year end, the Group has acquired land in Canning Vale in Western Australia. Construction of a new distribution centre at Canning Vale is anticipated to commence in the second quarter of the 2017 calendar year and to be operational in the last quarter of the 2018 calendar year.

A number of business enhancement programs and initiatives are being undertaken to drive operational improvements across the Group. This includes Project Renew, which is a whole-of-business review of end-to-end processes to streamline and enhance the way the Group does business, which may also lead to the eventual implementation of a new enterprise resource planning (ERP) system. The Group remains confident these strategic initiatives will contribute to growth for the medium and long term.

Consistent with a vision that is healthcare focused, the Group, subject to shareholder approval at our Annual General Meeting on 3 May 2017, is proposing to change our name from Sigma Pharmaceuticals Limited to Sigma Healthcare Limited.

## Material Risks

The Federal Government entered into a Sixth Community Pharmacy Agreement with the Pharmacy Guild of Australia, which provides wholesalers with the flexibility to charge pharmacies for service delivery beyond the new CSO standards. This amendment may potentially provide risk mitigation to the Group to help offset the impact of ongoing PBS price reform on revenue in the medium term.

The Review of Pharmacy Remuneration and Regulation (PRRR) continues to be conducted on behalf of the Federal Government, and is due to report its findings to the Federal Health Minister in the third quarter of the 2017 calendar year. The PRRR is a far reaching examination of the pharmacy operating environment, from manufacturer, wholesaler, pharmacy and consumer. Any recommendations from this review may form the basis of the negotiation for the Seventh Community Pharmacy Agreement in 2020.

Other than as highlighted above, there has not been a material change in the Group's risk profile since 31 January 2016.

## Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

## Rounding of Amounts

The Company is a company of the kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the Directors' Report and the financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

## Subsequent Events

Subsequent to 31 January 2017 the following events and transactions have occurred:

### (a) Dividend

Since the end of the year, the Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2017 to shareholders on the register at the ex-dividend date of 6 April 2017. The total amount payable is \$32.3 million.

### (b) Western Australia Land Purchase

On 3 February 2017 the Group acquired land in Canning Vale in Western Australia for \$12.8 million for the purpose of building a future distribution centre.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 January 2017 that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years not otherwise disclosed.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*, dated 22 March 2017.



**Brian Jamieson**  
Chairman

Melbourne,  
22 March 2017



**Mark Hooper**  
CEO & Managing Director

# REMUNERATION REPORT 2016/17

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<b>Abbreviation</b>	<b>Item</b>
AGM	Annual General Meeting
CEO	Chief Executive Officer
EBIT	Earnings Before Interest and Tax
KMP	Key Management Personnel
LTI	Long Term Incentive
NPAT	Net Profit After Tax
ROIC	Return On Invested Capital
STI	Short Term Incentive
TSR	Total Shareholder Return

## Introduction

Dear Shareholders,

On behalf of the Board I am pleased to present Sigma's Remuneration Report (Report) for the year ended 31 January 2017 (financial year). As discussed in the Annual Review, the Company has reported a strong financial result, which has been recognised by the market, with the share price rising by 52% during the year<sup>1</sup>. Coupled with increased dividend payments this has resulted in a TSR of over 58% for the year, which continues the strong performance of recent years.

Consistent with our commitment to ensuring remuneration is linked to Company performance, this year's actual remuneration outcomes reflect the strong Group performance.

During the financial year two changes were made to the Executive remuneration framework. Firstly, from an STI perspective a one-off additional stretch EBIT target was implemented in order to challenge the Executive team to achieve a step change in earnings. The additional target would reward Executives with an additional 25% of their maximum STI if an EBIT of \$100 million or more was achieved (after allowing for the value of the additional incentive payments). Secondly, following feedback from proxy advisers, a graduated Absolute TSR vesting schedule was introduced as part of the LTI. This is partly in response to feedback regarding 'cliff' vesting and aims to strike a balance between performance conditions being challenging and achievable.

## CEO and Managing Director Remuneration Outcomes

Reflective of general market movements, Mr Hooper's fixed remuneration (base salary and superannuation) was increased by 3% to \$1,253,036 during the financial year.

Overall Mr Hooper's actual fixed remuneration for the financial year was \$1,243,911 compared to \$1,207,681 last year (base salary and superannuation). Mr Hooper's STI payment was \$1,080,744 compared to \$1,186,127 last year. Whilst the underlying result for the year was strong, additional provisioning for bad debts has meant stretch STI targets for EBIT and NPAT were not achieved.

During the financial year Mr Hooper's 2014 LTI Plan vested, with the Absolute TSR and ROIC performance conditions met. The actual Absolute TSR result was 126% (compared to a target of 50%) and the actual ROIC performance was 16% (compared to a target of 15%). Mr Hooper has two years from the date of vesting to repay the outstanding loan.

In terms of the year ahead, Mr Hooper's fixed remuneration will next be reviewed in May 2017. No changes are contemplated during the 2017/18 financial year to the other components of Mr Hooper's total reward package, with the exception of the removal of the one-off stretch EBIT target that formed part of the STI Plan this financial year.

<sup>1</sup> February 2016 – 31 January 2017.

## Non-Executive Director Remuneration Outcomes

The composition of Non-Executive Director base and committee fees was also reviewed by the People and Remuneration Committee during the financial year. Based on this review, a number of changes were proposed to and endorsed by the Board to realign Non-Executive Director base and committee fees, taking into account the time commitment and workload of each role. Non-Executive Director fees were also increased by 3% during the financial year and will be next reviewed in May 2017.

In line with ASX Corporate Governance Principles and Recommendations, we have continued our Board review activities, including ensuring the Board contains an appropriate mix of skills and experience as well as assessing the independence of each Non-Executive Director. As part of this process we have increased our Board to include one additional Non-Executive Director. As such, we were delighted to welcome Ms Bartlett to the Board during the financial year and we are confident that her skills and experience complement those of the existing Board.

## Summary

The remuneration outcomes for the financial year reflect the strong performance of the business. The People and Remuneration Committee will continue to monitor the Company's remuneration strategy, ensuring its alignment to shareholder interests and effectiveness in motivating and rewarding our team.

## David Bayes

Chairman – People and Remuneration Committee

# REMUNERATION REPORT 2016/17 CONTINUED

## Remuneration Report

The Directors of Sigma Pharmaceuticals Limited (Company) are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 31 January 2017 (financial year). This Report has been prepared and audited in accordance with the requirements of the *Corporations Act 2001*.

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

### Non-Executive Directors

Mr B Jamieson	Chairman
Ms C Bartlett	Non-Executive Director (appointed 30 March 2016)
Mr D Bayes	Non-Executive Director
Mr R Gunston	Non-Executive Director
Mr D Manuel	Non-Executive Director
Ms K Spargo	Non-Executive Director

### Executives

Mr M Hooper	CEO/Managing Director
Mr G Dunne	Chief Operating Officer
Ms I MacPherson	Chief Financial Officer (appointed 2 November 2016)
Mr J Sells	Executive General Manager, Strategy and Business Development (since 18 July 2016); Chief Financial Officer (to 1 November 2016)

The above Non-Executive Directors and Executives were the KMP for the whole of the financial year, unless otherwise indicated.

## Remuneration Governance

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

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

Name	Role
Mr D Bayes	Chairman
Ms C Bartlett	Member (appointed 30 March 2016)
Mr R Gunston	Member
Mr D Manuel	Member

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

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



## Remuneration Strategy and Principles

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



## Non-Executive Director Remuneration

Remuneration for the Company's Non-Executive Directors reflects the size and complexity of the Company's operations as well as the responsibilities, accountabilities and time commitments of the Non-Executive Directors. It consists of base fees, committee fees and superannuation within the current maximum aggregate fee limit of \$1.5 million, as approved by shareholders at the Company's 2015 Annual General Meeting.

Following a review of Non-Executive Director fees, the Board approved an adjustment to base fees and committee fees, ensuring they more accurately reflect the duties, responsibilities and time commitments that are placed on each role. Having considered external market movements, a 3% increase to base fees and committee fees was also approved, effective 1 May 2016. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were \$1,185,329, as set out in Table 1 on page 16.

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

To ensure the interests of Non-Executive Directors are aligned with those of shareholders and in accordance with the rules of the Non-Executive Directors Share Plan (Plan), 25% of each Non-Executive Director's post-tax fees are used to purchase Sigma shares on-market every three months. Shares purchased under the Plan cannot be transferred or sold until the Non-Executive Director ceases being a Director of the Company, or the first day of the financial year following the third anniversary of the purchase date, or a change of control of the Company, whichever occurs first. Non-Executive Director share holdings and movements under the Plan for the financial year are set out in Table 5a on page 20.

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

Role	Annual Fee Structure <sup>1</sup>	
	2017 \$	2016 \$
Chairman	304,079	295,223
Non-Executive Director	120,510	111,405
Risk Management and Audit Committee - Chair	51,500	62,387
People and Remuneration Committee - Chair	41,200	37,877
Risk Management and Audit Committee - Member	25,750	31,194
People and Remuneration Committee - Member	20,600	18,939

1. Includes the 25% of Non-Executive Director fees used for share acquisition.

# REMUNERATION REPORT 2016/17 CONTINUED

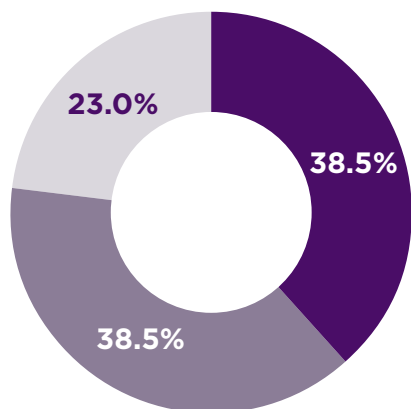
## Executive Remuneration

Executive remuneration is based on total reward structure comprising fixed remuneration and at-risk remuneration. At-risk remuneration is made up of STI and LTI, and is designed to align Executive remuneration with achievement of strategic and financial objectives that lead to the creation of shareholder value.

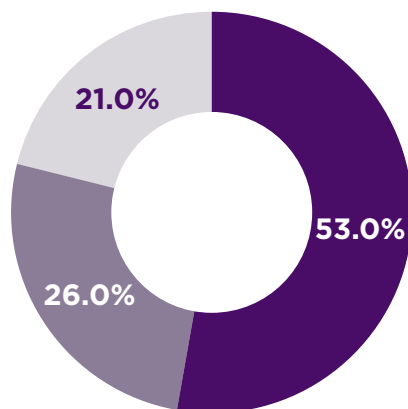
Fixed Remuneration	+	At-risk Remuneration – Short Term Incentive (STI)	+	At-risk Remuneration – Long Term Incentive (LTI)	=	Total Reward
<p><b>Delivery mechanism</b></p> <ul style="list-style-type: none"> <li>100% cash payment consisting of base salary and statutory superannuation contributions</li> </ul>		<p><b>Delivery mechanism</b></p> <ul style="list-style-type: none"> <li>100% cash payment</li> </ul>		<p><b>Delivery mechanism</b></p> <ul style="list-style-type: none"> <li>100% delivered via shares in the Company allocated upfront pursuant to Company loan</li> <li>Three-year performance period subject to service and forfeiture conditions</li> </ul>		<p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>Attract, retain and motivate suitably qualified and experienced executives</li> <li>Encourage a strong focus on performance</li> <li>Support the delivery of outstanding results for the Group over the short and long term</li> <li>Align Executive and shareholder interests through share ownership</li> </ul>
<p><b>Considerations</b></p> <ul style="list-style-type: none"> <li>Scope and complexity of the role</li> <li>Experience and performance of the individual Executive</li> <li>Internal and external benchmarking</li> </ul>		<p><b>Performance measures</b></p> <p><b>NPAT hurdle</b></p> <ul style="list-style-type: none"> <li>Minimum performance level must be achieved to trigger any STI payments</li> <li>Reflecting the importance placed on workplace safety, KPIs relating to safety are excluded from the profit hurdle and, subject to safety performance, are payable even if the profit hurdle is not achieved</li> </ul> <p><b>Financial measures</b></p> <ul style="list-style-type: none"> <li>50% of available STI split evenly across NPAT and ROIC</li> <li>Budgeted target must be achieved for minimum payment and above budget stretch targets must be achieved for full payment</li> </ul> <p><b>Non-financial measures</b></p> <ul style="list-style-type: none"> <li>50% of available STI is aligned to the achievement of non-financial goals that drive the strategic objectives of the Company</li> </ul>		<p><b>Performance measures</b></p> <p><b>Absolute TSR</b></p> <ul style="list-style-type: none"> <li>50% of available LTI is measured against Absolute TSR</li> <li>Vesting of the shares aligned to TSR will occur in accordance with a graduated vesting schedule during the performance period</li> </ul> <p><b>ROIC</b></p> <ul style="list-style-type: none"> <li>50% of available LTI is measured against ROIC</li> <li>Vesting of the shares aligned to ROIC will occur when an average ROIC of 15% is achieved during the performance period</li> </ul>		
<p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>Set to attract, retain and motivate the right talent to deliver our strategic objectives</li> <li>Typically set at the median of the external market, allowing scope for progressive increases based on proven performance in the role</li> </ul>		<p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>NPAT hurdle ensures a minimum acceptable level of profit before Executives receive any STI reward</li> <li>Performance conditions designed to support the financial and strategic objectives of the Company and shareholder return</li> <li>Non-financial measures aligned to core values and key strategic and growth objectives</li> <li>Stretch targets must be achieved to obtain maximum STI available, encouraging a high performance culture</li> <li>Outcomes are subject to external audit to maintain integrity of the reward</li> </ul>		<p><b>Strategic objectives</b></p> <ul style="list-style-type: none"> <li>Allocation of shares upfront aligns the interests of Executives with shareholders from date of grant</li> <li>Designed to encourage Executives to focus on the key performance drivers which underpin sustainable growth in shareholder value</li> <li>Key benefits to participants under the plan include capital appreciation (consistent with shareholder interests) and favourable taxation treatment (capital gains tax)</li> <li>Outcomes are subject to external audit to maintain integrity of the reward</li> </ul>		

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

### CEO/Managing Director



### Other Executives



- Fixed remuneration
- STI opportunity (cash)
- LTI opportunity (deferred equity)

## Fixed Remuneration

The fixed remuneration component of an Executive's total reward is expressed as a total package consisting of base salary and statutory superannuation contributions.

Fixed remuneration reflects the complexity of the individual's role and their experience, knowledge and performance. Internal and external benchmarking is regularly undertaken and fixed remuneration levels are set with regard to the external market median, with scope for incremental increase for superior performance.

Fixed remuneration is reviewed annually on 1 May, taking into account the performance of the individual and the Company. There are no guaranteed increases to fixed remuneration in any contracts of employment.

In line with market movement, business and individual performance, the Board determined to award a 3% increase to the CEO and the other Executives' fixed remuneration, effective 1 May 2016.

## Short Term Incentive

The STI component of an Executive's total reward is an annual cash incentive plan. The STI links a portion of Executive reward opportunity to specific financial and non-financial measures.

Component	Commentary
<b>Maximum STI Reward Value</b>	100% of fixed remuneration for the CEO/Managing Director. 50% of fixed remuneration for other Executives.
<b>Hurdle Requirement</b>	<p>An NPAT hurdle must be achieved to trigger any STI payment opportunity. The NPAT hurdle is determined by the Board prior to the commencement of the financial year, taking into account the NPAT result for the concluding financial year and the budgeted NPAT target for the new financial year. The hurdle excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board.</p> <p>NPAT was selected as an appropriate hurdle as it is the best overall measure of Company performance, is reflective of the generation of shareholder value, and is a measure readily recognised by and reported to shareholders.</p> <p>In recognition of the importance of workplace safety, KPIs relating to safety are excluded from this hurdle requirement, are separately established and payable upon achievement.</p>

# REMUNERATION REPORT 2016/17 CONTINUED

## Short Term Incentive continued

Component	Commentary	Component	Commentary
<b>Performance Measures – Financial</b>	<p>50% of maximum STI reward relates to Group financial measures, specifically 25% each is weighted against ROIC and NPAT.</p> <p>As a minimum, budgeted ROIC and NPAT must be achieved for partial payment, and above budget stretch targets must be achieved for full payment under these financial KPIs.</p> <p>ROIC was selected as an appropriate performance measure as it captures both profitability and effectiveness of capital management, which are both important measures for shareholders.</p> <p>NPAT was selected as an appropriate performance measure as it assesses overall Company performance and the generation of shareholder value.</p> <p>Group financial calculations under the STI Plan exclude significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board.</p> <p>For the 2016/17 financial year only an additional one-off EBIT stretch target was established and approved by the Board to incentivise Executives in achieving a step change uplift in earnings for the year. The achievement of the stretch EBIT target would result in the Executive receiving an additional 25% of their maximum STI reward.</p>	<b>Governance</b>	<p>All performance measures under the STI are clearly defined and measurable.</p> <p>The Board, on recommendation from the People and Remuneration Committee, approves the targets and assesses the performance outcome of the CEO/Managing Director.</p> <p>The CEO/Managing Director sets the targets and assesses the performance of other Executives.</p> <p>The Board, on recommendation from the People and Remuneration Committee, approves STI payments for the CEO/Managing Director and other Executives.</p> <p>Under the STI Plan, the Board has discretion to adjust STI outcomes based on the achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value.</p>
<b>Performance Measures – Non-financial</b>	<p>50% of maximum STI reward relates to non-financial measures, specifically:</p> <ul style="list-style-type: none"> <li>• CEO/Managing Director – business development, strategy development and execution, and safety.</li> <li>• Other Executives – operational performance/efficiency, continuous improvement, delivery of key projects and safety.</li> <li>• Each non-financial measure is selected based on its alignment with key strategic initiatives that lead to increased shareholder value.</li> </ul>	<b>Reward Mechanism</b>	<p>100% of awarded STI is paid in cash upon Board approval of the audited year-end accounts.</p> <p>The final tranche of the discontinued deferred equity granted from prior year STI rewards vested on 31 January 2017. Refer to Table 3 on page 18 for further details.</p>
		<b>Financial Year Outcome</b>	<p>The NPAT result for the financial year exceeded the hurdle requirement for STI payment. Whilst the underlying result for the year was strong, additional provisioning for bad debts has meant stretch STI targets for EBIT and NPAT were not achieved; however, the stretch ROIC target was achieved.</p> <p>Refer to pages 13 and 14 for further details.</p>

## Long Term Incentive

The LTI component of an Executive's total reward is an equity incentive plan that is designed to encourage Executives to focus on key performance drivers which underpin sustainable growth in shareholder value. The LTI facilitates share ownership by Executives and links a significant proportion of their at-risk remuneration to the Company's ongoing share price and returns to shareholders over the performance period.

Under the LTI, Executives are provided with a limited recourse loan from the Company for the sole purpose of acquiring shares in the Company. The shares are granted upfront, but are restricted and subject to a risk of forfeiture until the end of the performance period and while the loan remains outstanding. The post-tax value of any dividends paid on the shares is used to pay down the loan.

To gain access to the shares, the Executive must repay the outstanding loan following successful testing of the vesting conditions.

Component	Commentary
<b>Maximum LTI Reward Value</b>	60% of fixed remuneration for the CEO/Managing Director. 40% of fixed remuneration for other Executives.
<b>Performance Period</b>	Three financial years commencing on 1 February in the year of the grant.  The performance period reflects the business cycle of the Company. As a wholesaler, strategic, operational and financial initiatives translate to a short to medium term impact on the financial performance of the Company.  The three-year period also reflects the competitive market practice in attracting, retaining and rewarding high-calibre executives, as 72% of ASX200 companies had a vesting period of three years or less for their LTI Plans during the 2016 financial year.

Component	Commentary										
<b>Delivery Mechanism</b>	<p><b>Loan Funded Shares</b></p> <p>Executives are provided with an interest-free limited recourse loan to fund the acquisition of shares in the Company. The loan period is five years and runs concurrently with the three-year performance period, thus providing a further two-year exercise period beyond the conclusion of the performance period, subject to the vesting conditions being met. The Executives may choose to repay the outstanding loan associated with any vested shares prior to its expiry.</p> <p>The number of shares acquired is equal to the maximum LTI reward value divided by the fair value (calculated using a Black-Scholes options pricing model).</p> <p>The loan value is equal to the number of shares multiplied by the issue price (market price on grant date).</p> <p>The Executives holding loan funded shares have certain rights equal to all other ordinary shareholders, such as voting rights, access to dividends, capital distribution and bonus shares during the loan period.</p> <p>The value of post-tax dividends is applied to repay the outstanding loan. At the expiration of the loan period, the amount to be repaid is the lower of:</p> <ul style="list-style-type: none"> <li>• the outstanding loan less any repayments; and</li> <li>• the market value of the vested shares.</li> </ul> <p>The shares allocated to Executives for the 2016 LTI Plan were purchased on-market.</p>										
<b>Vesting Conditions</b>	<p>Up to 50% of loan funded shares will vest in accordance with the absolute TSR vesting schedule set out in the table below:</p> <table border="1"> <thead> <tr> <th>% Absolute TSR Achieved</th> <th>% of Loan Funded Shares That Vests</th> </tr> </thead> <tbody> <tr> <td>&lt;30%</td> <td>0%</td> </tr> <tr> <td>≥30%</td> <td>12.5%</td> </tr> <tr> <td>≥40%</td> <td>25%</td> </tr> <tr> <td>≥50%</td> <td>50%</td> </tr> </tbody> </table>	% Absolute TSR Achieved	% of Loan Funded Shares That Vests	<30%	0%	≥30%	12.5%	≥40%	25%	≥50%	50%
% Absolute TSR Achieved	% of Loan Funded Shares That Vests										
<30%	0%										
≥30%	12.5%										
≥40%	25%										
≥50%	50%										



# REMUNERATION REPORT 2016/17 CONTINUED

## Long Term Incentive continued

Component	Commentary
<b>Vesting Conditions</b> continued	<p>Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits)/Sigma share price at the start of the performance period.</p> <p>Absolute TSR was selected as an appropriate vesting condition as it measures the level of return to shareholders, taking into account share price growth and dividend payments including the value of any franking credits.</p> <p>In addition, the use of Absolute TSR is not limited by the challenges associated with selecting a fair and appropriate comparator group given the size of the industry in which the Company operates. The use of Absolute TSR also avoids scenarios of windfall gains or losses to the Executives that can occur under certain circumstances within a comparator group. The Company is confident in its ability to set an Absolute TSR vesting schedule at a level that benefits both the Executives and shareholders.</p> <p>The remaining 50% of shares will vest if the average pre-tax ROIC vesting condition is achieved:</p> <ul style="list-style-type: none"> <li>• Average pre-tax ROIC of 15% or higher during the performance period.</li> <li>• Pre-tax ROIC = EBIT/(total shareholder funds + net debt).</li> </ul> <p>The ROIC vesting condition excludes any significant uncontrollable or one-off events and the initial impacts from business development initiatives, as approved by the Board.</p> <p>ROIC was selected as an appropriate vesting condition as it measures capital management effectiveness, including outcomes of multi-year investment decisions.</p>
<b>Re-testing</b>	No re-testing applies – shares that do not vest after testing lapse.
<b>Exercise Price</b>	Issue price (market price on grant date).
<b>Disposal Restrictions</b>	Dealing, transferring or disposing of shares is prohibited until the end of the vesting period, and the loan has been repaid or appropriate arrangements for repayment of the loan have been approved by the Company.

Component	Commentary
<b>Forfeiture Conditions</b>	<p>In the event of resignation, unvested shares are typically forfeited (subject to Board discretion) and vested shares are retained, subject to repayment of the outstanding loan.</p> <p>In the event of summary dismissal unvested shares are forfeited, as are any vested shares that remain subject to an outstanding loan balance.</p> <p>In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.</p>
<b>Governance</b>	<p>All performance measures under the LTI are clearly defined and measurable.</p> <p>The Board, on recommendation from the People and Remuneration Committee, approves the targets and assesses the performance outcome of each LTI Plan.</p> <p>The Board, on recommendation from the People and Remuneration Committee, approves LTI vesting for each plan. Confirmation of vesting only occurs once the audited year-end accounts have been approved by the Board.</p> <p>Under the LTI Plan, the Board has discretion to adjust LTI outcomes based on the achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value.</p>
<b>Financial Year Outcomes</b>	After testing the vesting conditions, 100% of the 2014 LTI loan funded shares vested on 31 January 2017. Refer to page 14 for further details.

Table 3 on page 18 and Table 4 on page 19 set out the movements of performance rights and loan funded shares during the financial year.

## Linking Executive Remuneration and Performance

In order to evaluate Sigma's performance, benefits to shareholder wealth and remuneration for the Executives, the Board has considered a range of financial indices, including the following, with respect to the current and preceding four financial years.

12 Months Ended 31 January	Financial Year				
	2016/17	2015/16	2014/15	2013/14	2012/13
Share price (\$)¹	<b>1.246</b>	0.819	0.765	0.629	0.692
Dividends paid in the financial year (cps)	<b>5.5</b>	5.0	2.0²	4.0	5.5
TSR³	<b>61.7%</b>	16.4%	26.2%	(0.8%)	35.2%
Pre-tax ROIC⁴	<b>17.7%¹¹</b>	14.8%⁹	15.6%⁷	14.6%⁶	13.5%⁵
EBIT (\$m)	<b>92.0¹²</b>	89.1¹⁰	78.4⁸	74.7⁶	71.1⁵
NPAT (\$m)	<b>61.1¹²</b>	59.2¹⁰	53.0⁸	56.8⁶	52.3⁵

1. Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 trading days up to and including 31 January.

2. An interim dividend was not paid during the 2014/15 financial year due to insufficient franking credits.

3.  $TSR = (\text{share price appreciation} + \text{dividends} + \text{value of franking credits}) / \text{Sigma share price at the start of financial year}$ .

4.  $\text{Pre-tax ROIC} = \text{EBIT} / (\text{total shareholder funds} + \text{net debt})$ .

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

6. Excludes the impact of the 2013 litigation settlement to Vifor (International) Limited and acquisition costs.

7. Excludes acquisition costs and related earnings.

8. Excludes acquisition costs.

9. Adjusted for capital investment on new distribution centre, acquisition earn out costs and share of equity accounted investees.

10. Adjusted for acquisition earn out costs and share of equity accounted investees.

11. Adjusted for capital investment in ongoing construction of new distribution centres, business acquisitions and acquisition costs.

12. Excludes the impact of the litigation settlement expense and profit of non-controlling interests.

## Company Performance and STI Outcomes

For the Executives to qualify for a payment under the STI Plan, a pre-agreed level of Company profit must first be achieved. Once this has been achieved, the level of payment the Executive receives is determined based on the achievement of their pre-defined financial and non-financial performance measures.

For this financial year only, the Board implemented a one-off additional stretch EBIT target in order to challenge the Executive team to achieve a step change in earnings. The additional target would reward Executives with an additional 25% of their maximum STI if an EBIT of \$100 million or more was achieved (after allowing for the value of the additional incentive payments).

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

The NPAT result for the financial year exceeded the NPAT hurdle requirement for STI payment. Whilst the underlying result for the year was strong, additional provisioning for bad debts has meant stretch STI targets for EBIT and NPAT were not achieved; however, the stretch ROIC target was achieved.

# REMUNERATION REPORT 2016/17 CONTINUED

## Linking Executive Remuneration and Performance continued

### Company Performance and STI Outcomes continued

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

Executives	Maximum STI Opportunity as % of Fixed Remuneration		2016/17			2015/16		
	2016/17 <sup>1</sup> %	2015/16 %	STI Forfeited %	STI Paid %	STI Payment \$	STI Forfeited %	STI Paid %	STI Payment \$
Mr M Hooper	125	100	38.75	86.25	1,080,744	2.50	97.50	1,186,127
Mr G Dunne	62.5	50	24.37	38.13	235,613	7.50	42.50	255,000
Ms I MacPherson <sup>2</sup>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mr J Sells	62.5	50	28.12	34.38	198,275	6.25	43.75	245,000
<b>Total</b>					<b>1,514,632</b>			<b>1,686,127</b>

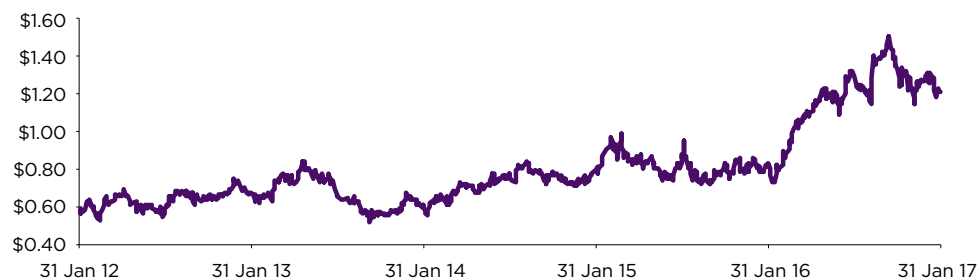
1. Inclusive of the additional one-off stretch EBIT target.

2. Commenced 2 November 2016, ineligible to participate in the 2016/17 STI Plan.

### Company Performance and LTI Outcomes

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

The following graph depicts the improvements to the Company's share price over the past five financial years. Absolute share price has risen from \$0.57<sup>3</sup> in the 2011/12 financial year to \$1.24<sup>4</sup> this financial year. Coupled with fully franked dividend payments of 22 cents, this represents a TSR in excess of 156%.



3. Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 days up to and including 31 January 2012.

4. Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 days up to and including 31 January 2017.

### 2014 Long Term Incentive Plan

Under the 2014 LTI Loan Funded Share Plan, the Company is required to achieve an average pre-tax ROIC of 15% and an Absolute TSR of 50% or higher during the three-year performance period for full vesting to occur. The Board retains discretion to adjust the basis for determining LTI outcomes based on achievements which are consistent with the Group's strategic priorities and, in the opinion of the Board, enhance shareholder value. The table below shows the level of vesting as approved by the Board:

Performance Period	Performance Measure	Vesting Condition	Actual Achievement	% of LTI Vested	% of LTI Forfeited
1 February 2014 to 31 January 2017	Average pre-tax ROIC	15% or higher	16.0%	50%	0%
	Absolute TSR	50% or higher	126.3%	50%	0%

Upon vesting, the loan funded shares will continue to be subject to forfeiture conditions as described on page 12. Executives may elect to exercise the vested shares within a two-year period at the pre-determined exercise price as set out in the table below:

Executives	Lapsed	Vested and Exercisable	Exercise Date	Exercise Price \$	Expiry Date
Mr M Hooper	-	6,848,292	1 February 2017	0.5950	31 January 2019
Mr G Dunne	-	2,164,661	1 February 2017	0.5950	31 January 2019
Mr J Sells	-	2,010,042	1 February 2017	0.5950	31 January 2019

Table 4 on page 19 sets out the details of the 2014 LTI Plan vested to the Executives.

## Other Remuneration Disclosures

### Equity Restrictions

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

Dealing in Sigma shares by Directors, officers and employees is subject to the Company's Share Trading Policy, which is published on the Company's website at [www.sigmaco.com.au](http://www.sigmaco.com.au).

### Clawback Arrangements

The Board has discretion to adjust or cancel unvested LTI or vested LTI that is subject to an outstanding loan balance, should the Board determine the specific circumstance warrants such action.

### Employee Share Plan

To align their interests with those of the shareholders, employees of the Sigma Group at all levels of the organisation are encouraged to hold shares in the Company. As a result of the Employee Share Plan, Sigma is pleased to report that approximately 63% of all employees are also shareholders of the Company.

During the financial year the Company offered all eligible employees the opportunity to acquire shares in the Company on a 10-year interest-free limited recourse loan. The value of any dividend paid and employee contributions are applied to repay the outstanding loan, which can be extinguished prior to its expiration subject to a three-year disposal restriction period. The amount to be repaid is the lower of the outstanding loan less any repayments and the market value of the shares.

A total of 514 acceptances were received resulting in 4,217,500 shares being allocated. The share allocation was satisfied from shares previously forfeited under the Plan and/or acquired on-market.

### Loans to Executives

There were no loans to the Executives during the financial year, except as allowed under the Employee Share Plan and the LTI Plan. Loans are not provided to Non-Executive Directors.

## Transactions with Directors

Mr David Manuel and his Director-related entities purchased pharmacy products from the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the financial year ended 31 January 2017 was \$5,598,240 (2016: \$4,848,220). The amounts receivable at balance date from Mr David Manuel and his Director-related entities included within trade debtors in Note 8 was \$674,633 (2016: \$577,195). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

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

## Service Agreements

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

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

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

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

# REMUNERATION REPORT 2016/17 CONTINUED

**TABLE 1: Statutory Remuneration Disclosure for Key Management Personnel of the Company and Group: Financial Year 2016/17**

	Short-term Benefits				Post-employment Benefits	Value in Share-based Plans						
	Salary and Base Fees <sup>1</sup>	Committee Fees	Cash Short-term Incentive <sup>2</sup>	Non-monetary Benefits <sup>3</sup>	Superannuation Benefits	Other Long-term Benefits <sup>4</sup>	Termination Payments	Total Remuneration Excl. Value in Share-based Plans	Performance Rights <sup>5</sup>	Loan Funded Shares <sup>6</sup>	Total Remuneration Incl. Value in Share-based Plans	Share-based Payments as Proportion of Remuneration <sup>7</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>												
Mr B Jamieson	311,055	-	n/a	3,366	19,487	n/a	-	333,908	n/a	n/a	333,908	-
Mr D Bayes	118,862	67,023	n/a	3,366	17,659	n/a	-	206,910	n/a	n/a	206,910	-
Mr R Gunston	118,862	73,134	n/a	3,366	18,240	n/a	-	213,602	n/a	n/a	213,602	-
Mr D Manuel	118,862	20,304	n/a	3,366	13,221	n/a	-	155,753	n/a	n/a	155,753	-
Ms K Spargo	118,862	26,415	n/a	3,366	13,801	n/a	-	162,444	n/a	n/a	162,444	-
Ms C Bartlett (appointed 30 March 2016)	101,032	17,271	n/a	2,831	11,239	n/a	-	132,373	n/a	n/a	132,373	-
<b>Subtotal for Non-Executive Directors</b>	<b>887,535</b>	<b>204,147</b>	<b>n/a</b>	<b>19,661</b>	<b>93,647</b>	<b>n/a</b>	<b>-</b>	<b>1,204,990</b>	<b>n/a</b>	<b>n/a</b>	<b>1,204,990</b>	<b>-</b>
<b>Executives</b>												
Mr M Hooper	1,228,203	n/a	1,080,744	3,366	19,487	47,671	-	2,379,471	57,494	889,607	3,326,572	28
Mr G Dunne	604,377	n/a	235,613	3,366	19,487	17,558	-	880,401	13,630	285,299	1,179,330	25
Ms I MacPherson (appointed 2 November 2016)	115,240	n/a	n/a	830	4,904	80	-	121,054	-	-	121,054	-
Mr J Sells	549,482	n/a	198,275	3,366	19,487	21,034	-	791,644	12,063	265,426	1,069,133	26
<b>Subtotal for Executives</b>	<b>2,497,302</b>	<b>n/a</b>	<b>1,514,632</b>	<b>10,928</b>	<b>63,365</b>	<b>86,343</b>	<b>-</b>	<b>4,172,570</b>	<b>83,187</b>	<b>1,440,332</b>	<b>5,696,089</b>	<b>27</b>
<b>Total</b>	<b>3,384,837</b>	<b>204,147</b>	<b>1,514,632</b>	<b>30,589</b>	<b>157,012</b>	<b>86,343</b>	<b>-</b>	<b>5,377,560</b>	<b>83,187</b>	<b>1,440,332</b>	<b>6,901,079</b>	<b>22</b>

1. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 7. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

2. Represents cash payments in respect to the 2015/16 STI Plan.

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

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

5. Represents amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2013/14 and 2014/15 STI Plan.

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

7. Includes amounts expensed in relation to STI deferred equity and LTI loan funded shares. Excludes share purchases under the Non-Executive Directors Share Plan.



**TABLE 2: Statutory Remuneration Disclosure for Key Management Personnel of the Company and Group: Financial Year 2015/16**

	Short-term Benefits				Post-employment Benefits						Value in Share-based Plans			Share-based Payments as Proportion of Remuneration <sup>8</sup>	
	Salary and Base Fees <sup>1</sup>	Committee Fees	Cash Short-term Incentive <sup>2</sup>	Sign-on cash Payments	Non-monetary Benefits <sup>3</sup>	Superannuation Benefits	Increase in Retirement Benefits <sup>4</sup>	Retirement Benefits Paid <sup>4</sup>	Other Long Term Benefits <sup>5</sup>	Termination Payments	Total Remuneration Excl. Value in Share-based Plans	Performance Rights <sup>6</sup>	Loan Funded Shares <sup>7</sup>		Total Remuneration Incl. Value in Share-based Plans
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
<b>Non-Executive Directors</b>															
Mr B Jamieson	301,826	n/a	n/a	n/a	3,363	19,089	n/a	n/a	n/a	-	324,278	n/a	n/a	324,278	-
Mr D Bayes	110,594	68,568	n/a	n/a	3,363	17,020	n/a	n/a	n/a	-	199,545	n/a	n/a	199,545	-
Mr R Gunston	110,594	54,288	n/a	n/a	3,363	15,664	n/a	n/a	n/a	-	183,909	n/a	n/a	183,909	-
Mr D Manuel	110,594	18,801	n/a	n/a	3,363	12,293	n/a	n/a	n/a	-	145,051	n/a	n/a	145,051	-
Ms L Nicholls, AO (retired 9 December 2015)	95,025	53,214	n/a	n/a	2,875	14,083	3,917	198,567	n/a	-	367,681	n/a	n/a	367,681	-
Ms K Spargo (appointed 9 December 2015)	16,568	4,639	n/a	n/a	498	2,015	n/a	n/a	n/a	-	23,720	n/a	n/a	23,720	-
<b>Subtotal for Non-Executive Directors</b>	<b>745,201</b>	<b>199,510</b>	<b>n/a</b>	<b>n/a</b>	<b>16,825</b>	<b>80,164</b>	<b>3,917</b>	<b>198,567</b>	<b>n/a</b>	<b>-</b>	<b>1,244,184</b>	<b>n/a</b>	<b>n/a</b>	<b>1,244,184</b>	<b>-</b>
<b>Executives</b>															
Mr M Hooper	1,241,059	n/a	1,186,127	n/a	3,363	19,089	n/a	n/a	33,360	-	2,482,998	153,138	822,818	3,458,954	28
Mr G Dunne	580,071	n/a	255,000	n/a	3,363	19,089	n/a	n/a	8,250	-	865,773	36,304	258,059	1,160,136	25
Mr J Sells	533,922	n/a	245,000	n/a	3,363	19,089	n/a	n/a	15,500	-	816,874	31,063	240,923	1,088,860	25
<b>Subtotal for Executives</b>	<b>2,355,052</b>	<b>n/a</b>	<b>1,686,127</b>	<b>n/a</b>	<b>10,089</b>	<b>57,267</b>	<b>n/a</b>	<b>n/a</b>	<b>57,110</b>	<b>-</b>	<b>4,165,645</b>	<b>220,505</b>	<b>1,321,800</b>	<b>5,707,950</b>	<b>27</b>
<b>Total</b>	<b>3,100,253</b>	<b>199,510</b>	<b>1,686,127</b>	<b>n/a</b>	<b>26,914</b>	<b>137,431</b>	<b>3,917</b>	<b>198,567</b>	<b>57,110</b>	<b>-</b>	<b>5,409,829</b>	<b>220,505</b>	<b>1,321,800</b>	<b>6,952,134</b>	<b>22</b>

1. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 12. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

2. Represents cash payments in respect to the 2015/16 STI Plan.

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

4. As disclosed in the Company's 2015/16 Annual Report, upon retirement Ms Nicholls AO elected to receive the full balance of her accumulated retirement benefits in cash, including interest payment calculated based on the 90-day bank bill rate, for the period 1 February 2015 to 9 December 2015.

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

6. Represents amounts expensed in relation to the performance rights granted to the Executives for the deferred equity portion of the 2013/14 and 2014/15 STI Plan.

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

8. Includes amounts expensed in relation to STI deferred equity and LTI loan funded shares. Excludes share purchases under the Non-Executive Directors Share Plan.

## REMUNERATION REPORT 2016/17 CONTINUED

**TABLE 3: Performance Rights: Details of Movement During the Financial Year 2016/17**

<b>Executive</b>	<b>Grant Date</b>	<b>Fair Value Per Right at Grant Date<sup>1</sup></b> <b>\$</b>	<b>Number of Share Rights Issued</b>	<b>Fair Value of Rights at Grant Date</b> <b>\$</b>	<b>Exercise Date<sup>2</sup></b>	<b>Exercise Price</b>	<b>Balance of Share Rights at 01/02/16</b>	<b>Number of Share Rights Granted During the Year</b>	<b>Number of Share Rights Vested During the Year</b>	<b>Balance of Share Rights at 31/01/17</b>
Mr M Hooper	01/02/2015	0.7257	237,677	172,482	31/01/2017	-	237,677	-	237,677	-
Mr G Dunne	01/02/2015	0.7257	56,345	40,890	31/01/2017	-	56,345	-	56,345	-
Ms I MacPherson	-	-	-	-	-	-	-	-	-	-
Mr J Sells	01/02/2015	0.7257	49,867	36,188	31/01/2017	-	49,867	-	49,867	-

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

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

**TABLE 4: LTI Loan Funded Shares: Details of Movement During the Financial Year 2016/17**

Executive	Grant Date	Share Price at Grant \$	Fair Value Per Share Grant Date <sup>1</sup> \$	Exercise Price \$	Exercise Date <sup>2</sup>	Number of Loan Funded Shares						Loan Value and Balance <sup>3</sup>			
						Balance at 01/02/16 <sup>4</sup>	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/17	Loan Value at Grant Date \$	Loan Balance at 1/02/16 \$	Loan Repayments During the Year <sup>5</sup> \$	Loan Balance at 31/01/17 \$
Mr M Hooper	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	5,372,395	-	-	-	5,372,395	-	2,713,059	1,983,564	1,983,564	-
	01/02/2012	0.5400	0.2003	0.5400	01/02/2015	3,784,034	-	-	-	3,784,034	-	2,043,378	1,674,164	1,674,164	-
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	6,623,452	-	-	-	-	6,623,452	4,437,713	3,892,698	265,411	3,627,287
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	6,848,292	-	6,848,292	-	-	6,848,292	4,074,734	3,720,579	274,421	3,446,158
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	6,478,476	-	-	-	-	6,478,476	5,182,781	4,946,779	259,602	4,687,177
	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	-	4,725,306	-	-	-	4,725,306	3,945,631	3,945,631	189,350	3,756,281
Mr G Dunne	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	2,041,251	-	-	-	2,041,251	-	1,367,638	1,199,672	1,199,672	-
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	2,164,661	-	2,164,661	-	-	2,164,661	1,287,973	1,176,029	86,741	1,089,288
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	2,047,766	-	-	-	-	2,047,766	1,638,213	1,563,616	82,057	1,481,559
	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	-	1,553,687	-	-	-	1,553,687	1,297,329	1,297,329	62,258	1,235,071
Mr J Sells	28/06/2011	0.5050	0.1235	0.5050	28/06/2014	1,549,729	-	-	-	1,549,729	-	782,613	572,183	572,183	-
	01/02/2012	0.5750	0.1417	0.5750	01/02/2015	1,091,548	-	-	-	1,091,548	-	627,640	491,937	491,937	-
	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	1,928,982	-	-	-	-	1,928,982	1,292,418	1,133,690	77,297	1,056,393
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	2,010,042	-	2,010,042	-	-	2,010,042	1,195,975	1,092,027	80,545	1,011,482
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	1,901,497	-	-	-	-	1,901,497	1,521,198	1,451,929	76,196	1,375,733
	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	-	1,450,108	-	-	-	1,450,108	1,210,840	1,210,840	58,108	1,152,732

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

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

3. Loan value and balance are rounded to the nearest whole number.

4. Share allocation under the 2011 grant was satisfied through the issue of shares and previously forfeited shares held in trust. Share allocation under the 2012 grant was satisfied through the issue of shares. Share allocation under the 2013 grant was satisfied through an on-market share acquisition. Share allocation under the 2014 grant was satisfied through an on-market share acquisition and previously forfeited shares held in trust. Share allocation under the 2015 grant and 2016 grant was satisfied through an on-market share acquisition.

5. The loan repayments represent the value of post-tax dividends paid during the 2016/17 financial year that was applied to the outstanding loan balances, as well as any loan repayments made by the Executive.

# REMUNERATION REPORT 2016/17 CONTINUED

## TABLE 5a: Share Holdings of Key Management Personnel

2017	Number of Shares at 01/02/2016	Number of Shares Acquired Through Share Plans During the Year	Number of Shares Purchased During the Year	Number of Shares Sold During the Year	Other Changes	Number of Shares at 31/01/2017
<b>Non-Executive Directors</b>						
Mr B Jamieson	679,847	-	32,418	-	-	712,265
Mr D Bayes	280,467	-	19,943	-	-	300,410
Mr R Gunston	164,719	-	20,931	-	-	185,650
Mr D Manuel	176,985	-	14,859	-	-	191,844
Ms K Spargo	1,501	-	65,609	-	-	67,110
Ms C Bartlett (appointed 30 March 2016)	-	-	10,914	-	-	10,914
<b>Subtotal for Non-Executive Directors</b>	<b>1,303,519</b>	<b>-</b>	<b>164,674</b>	<b>-</b>	<b>-</b>	<b>1,468,193</b>
<b>Executives</b>						
Mr M Hooper	3,429,742	9,661,027	-	4,142,519	-	8,948,250
Mr G Dunne	50,000	2,160,874	-	2,041,251	-	169,623
Ms I MacPherson	-	-	-	-	-	-
Mr J Sells	1,463,027	2,741,012	-	2,162,895	-	2,041,144
<b>Subtotal for Executives</b>	<b>4,942,769</b>	<b>14,562,913</b>	<b>-</b>	<b>8,346,665</b>	<b>-</b>	<b>11,159,017</b>
<b>Total</b>	<b>6,246,288</b>	<b>14,562,913</b>	<b>164,674</b>	<b>8,346,665</b>	<b>-</b>	<b>12,627,210</b>
2016	Number of Shares at 01/02/2015	Number of Shares Acquired Through Share Plans During the Year	Number of Shares Purchased During the Year	Number of Shares Sold During the Year	Other Changes	Number of Shares at 31/01/2016
<b>Non-Executive Directors</b>						
Mr B Jamieson	634,601	-	45,246	-	-	679,847
Mr D Bayes	252,808	-	27,659	-	-	280,467
Mr R Gunston	139,962	-	24,757	-	-	164,719
Mr D Manuel	157,009	-	19,976	-	-	176,985
Ms L Nicholls, AO (retired 9 December 2015)	561,123	-	24,989	-	-	586,112 <sup>1</sup>
Ms K Spargo (appointed 9 December 2015)	-	-	1,501	-	-	1,501
<b>Subtotal for Non-Executive Directors</b>	<b>1,745,503</b>	<b>-</b>	<b>144,128</b>	<b>-</b>	<b>-</b>	<b>1,889,631</b>
<b>Executives</b>						
Mr M Hooper	3,160,459	269,283	-	-	-	3,429,742
Mr G Dunne	400,000	1,219,440	-	1,569,440	-	50,000
Mr J Sells	1,408,757	54,270	-	-	-	1,463,027
<b>Subtotal for Executives</b>	<b>4,969,216</b>	<b>1,542,993</b>	<b>-</b>	<b>1,569,440</b>	<b>-</b>	<b>4,942,769</b>
<b>Total</b>	<b>6,714,719</b>	<b>1,542,993</b>	<b>144,128</b>	<b>1,569,440</b>	<b>-</b>	<b>6,832,400</b>

1. Number of shares as at date of retirement, 9 December 2015.

**TABLE 5b: Performance Rights and Options (Loan Funded Shares) Holdings of Key Management Personnel**

	Number of Rights/ Options at 01/02/2016	Number of Rights/ Options Granted Through Share Plans During the Year	Number of Rights/ Options Exercised During the Year	Number of Rights/ Options Lapsed During the Year	Number of Rights/ Options at 31/01/2017
<b>2017</b>					
<b>Non-Executive Directors</b>					
Mr B Jamieson	n/a	n/a	n/a	n/a	n/a
Mr D Bayes	n/a	n/a	n/a	n/a	n/a
Mr R Gunston	n/a	n/a	n/a	n/a	n/a
Mr D Manuel	n/a	n/a	n/a	n/a	n/a
Ms K Spargo	n/a	n/a	n/a	n/a	n/a
Ms C Bartlett (appointed 30 March 2016)	n/a	n/a	n/a	n/a	n/a
<b>Subtotal for Non-Executive Directors</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Executives</b>					
Mr M Hooper	29,637,359	4,732,806	9,661,027	-	24,709,138
Mr G Dunne	6,394,159	1,561,187	2,160,874	-	5,794,472
Ms I MacPherson	-	-	-	-	-
Mr J Sells	8,607,645	1,457,608	2,741,012	-	7,324,241
<b>Subtotal for Executives</b>	<b>44,639,163</b>	<b>7,751,601</b>	<b>14,562,913</b>	<b>-</b>	<b>37,827,851</b>
<b>Total</b>	<b>44,639,163</b>	<b>7,751,601</b>	<b>14,562,913</b>	<b>-</b>	<b>37,827,851</b>
	Number of Rights/ Options at 01/02/2015	Number of Rights/ Options Granted Through Share Plans During the Year	Number of Rights/ Options Exercised During the Year	Number of Rights/ Options Lapsed During the Year	Number of Rights/ Options at 31/01/2016
<b>2016</b>					
<b>Non-Executive Directors</b>					
Mr B Jamieson	n/a	n/a	n/a	n/a	n/a
Mr D Bayes	n/a	n/a	n/a	n/a	n/a
Mr R Gunston	n/a	n/a	n/a	n/a	n/a
Mr D Manuel	n/a	n/a	n/a	n/a	n/a
Ms L Nicholls, AO (retired 9 December 2015)	n/a	n/a	n/a	n/a	n/a
Ms K Spargo (appointed 9 December 2015)	n/a	n/a	n/a	n/a	n/a
<b>Subtotal for Non-Executive Directors</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>Executives</b>					
Mr M Hooper	23,420,666	6,485,976	269,283	-	29,637,359
Mr G Dunne	5,558,333	2,055,266	1,219,440	-	6,394,159
Mr J Sells	6,752,918	1,908,997	54,270	-	8,607,645
<b>Subtotal for Executives</b>	<b>35,731,917</b>	<b>10,450,239</b>	<b>1,542,993</b>	<b>-</b>	<b>44,639,163</b>
<b>Total</b>	<b>35,731,917</b>	<b>10,450,239</b>	<b>1,542,993</b>	<b>-</b>	<b>44,639,163</b>



# AUDITOR'S INDEPENDENCE DECLARATION

**Deloitte.**

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

22 March 2017

Dear Board Members

**Sigma Pharmaceuticals Limited**

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

As lead audit partner for the audit of the financial statements of Sigma Pharmaceuticals Limited for the year ended 31 January 2017 I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Tom Imbesi  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Touche Tohmatsu Limited

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2017

	Notes	2017 \$'000	2016 \$'000
Sales revenue		4,366,208	3,461,104
Cost of goods sold		(4,076,662)	(3,197,750)
<b>Gross profit</b>		<b>289,546</b>	263,354
Other revenue	2	77,153	70,349
Warehousing and delivery expenses		(131,321)	(122,948)
Sales and marketing expenses		(75,797)	(61,147)
Administration expenses		(58,971)	(51,786)
Litigation settlement expense		(11,368)	-
Contingent consideration from prior year acquisitions	18	-	(7,784)
Depreciation and amortisation	3	(8,287)	(9,027)
Amortisation of other intangibles acquired on acquisition	3	-	(940)
<b>Profit before financing costs and tax expense (EBIT)</b>		<b>80,955</b>	80,071
Finance income		1,735	1,977
Finance costs		(6,021)	(5,457)
<b>Net finance costs</b>		<b>(4,286)</b>	(3,480)
Share of profit/(loss) of equity accounted investee (net of tax)		-	210
<b>Profit before income tax</b>		<b>76,669</b>	76,801
Income tax expense	4	(23,163)	(26,386)
<b>Profit for the year</b>		<b>53,506</b>	50,415
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of financial asset		(192)	150
Exchange differences on translation of foreign operations		120	(41)
Income tax relating to components of other comprehensive income		22	(33)
<b>Other comprehensive income for the year (net of tax)</b>		<b>(50)</b>	76
<b>Total comprehensive income for the year</b>		<b>53,456</b>	50,491
<i>Profit attributable to:</i>			
Owners of the Company		53,184	50,502
Non-controlling interest	19	322	(87)
<b>Profit for the year</b>		<b>53,506</b>	50,415
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		53,134	50,578
Non-controlling interest	19	322	(87)
<b>Total comprehensive income for the year</b>		<b>53,456</b>	50,491
<b>Earnings per share (cents) attributable to owners of the Company</b>			
Basic earnings per share	5	5.4	5.0
Diluted earnings per share	5	5.0	4.7

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# CONSOLIDATED BALANCE SHEET

As at 31 January 2017

	Notes	2017 \$'000	2016 \$'000
<b>Current assets</b>			
Cash and cash equivalents	29	24,403	17,407
Trade and other receivables	8	566,895	618,248
Inventories	9	322,000	288,626
Prepayments		5,427	5,087
<b>Total current assets</b>		<b>918,725</b>	929,368
<b>Non-current assets</b>			
Trade and other receivables	8	3,459	9,185
Property, plant and equipment	11	77,870	58,540
Goodwill and other intangible assets	12	102,694	101,538
Other financial assets		1,458	650
Net deferred tax assets	4	14,676	9,370
<b>Total non-current assets</b>		<b>200,157</b>	179,283
<b>Total assets</b>		<b>1,118,882</b>	1,108,651
<b>Current liabilities</b>			
Bank overdraft	29	32,129	73,014
Trade and other payables	10	523,770	446,112
Borrowings	16	14	11
Income tax payable		581	12,808
Provisions	13	15,893	14,350
Deferred income		2,220	2,781
<b>Total current liabilities</b>		<b>574,607</b>	549,076
<b>Non-current liabilities</b>			
Other payables	10	426	295
Borrowings	16	1,016	1,028
Provisions	13	4,050	3,989
Deferred income		196	609
<b>Total non-current liabilities</b>		<b>5,688</b>	5,921
<b>Total liabilities</b>		<b>580,295</b>	554,997
<b>Net assets</b>		<b>538,587</b>	553,654
<b>Equity</b>			
Contributed equity	14	1,226,904	1,238,394
Reserves	15	10,552	10,648
Accumulated losses		(700,693)	(696,890)
Non-controlling interest	19	1,824	1,502
<b>Total equity</b>		<b>538,587</b>	553,654

The above Consolidated Balance Sheet is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 January 2017

	Notes	Contributed Equity		Reserves						Total Equity \$'000
		Issued Capital \$'000	Treasury Shares \$'000	Fair Value Reserve \$'000	Foreign Currency Translation Reserve \$'000	Options/Performance Rights Reserve \$'000	Employee Share Reserve \$'000	Accumulated Losses \$'000	Non-controlling Interest \$'000	
<b>Balance at 1 February 2015</b>		1,315,288	(59,822)	-	255	12,339	7,792	(702,850)	(1)	573,001
Profit for the year		-	-	-	-	-	-	50,502	(87)	50,415
Other comprehensive income		-	-	105	(29)	-	-	-	-	76
<b>Total comprehensive income for the year</b>		-	-	105	(29)	-	-	50,502	(87)	50,491
<b>Transactions with owners in their capacity as owners:</b>										
Employee shares exercised	14(b)	-	2,959	-	-	-	-	-	-	2,959
Share-based remuneration plans	28	-	-	-	-	2,313	-	-	-	2,313
Share buy-back	14(a),(b)	(11,142)	(13,722)	-	-	-	-	-	-	(24,864)
Dividends paid	6	-	-	-	-	-	2,903	(54,200)	-	(51,297)
Dividends applied to equity compensation plan		-	-	-	-	-	(539)	-	-	(539)
Reclassification of settled and expired share-based transactions		-	4,833	-	-	(10,170)	(4,321)	9,658	-	-
Acquisition of subsidiary with non-controlling interests	18	-	-	-	-	-	-	-	1,590	1,590
		(11,142)	(5,930)	-	-	(7,857)	(1,957)	(44,542)	1,590	(69,838)
<b>Balance at 31 January 2016</b>		<b>1,304,146</b>	<b>(65,752)</b>	<b>105</b>	<b>226</b>	<b>4,482</b>	<b>5,835</b>	<b>(696,890)</b>	<b>1,502</b>	<b>553,654</b>
Profit for the year		-	-	-	-	-	-	53,184	322	53,506
Other comprehensive income		-	-	(134)	84	-	-	-	-	(50)
<b>Total comprehensive income for the year</b>		-	-	(134)	84	-	-	53,184	322	53,456
<b>Transactions with owners in their capacity as owners:</b>										
Employee shares exercised	14(b)	-	12,933	-	-	-	-	-	-	12,933
Share-based remuneration plans	28	-	-	-	-	2,576	-	-	-	2,576
Share buy-back	14(a),(b)	(4,990)	(19,636)	-	-	-	-	-	-	(24,626)
Dividends paid	6	-	-	-	-	-	3,410	(59,159)	-	(55,749)
Dividends applied to equity compensation plan		-	-	-	-	-	(2,874)	-	-	(2,874)
Reclassification of settled and expired share-based transactions		-	203	-	-	(1,911)	(464)	2,172	-	-
Income tax relating to transactions with owners		-	-	-	-	-	(783)	-	-	(783)
		(4,990)	(6,500)	-	-	665	(711)	(56,987)	-	(68,523)
<b>Balance at 31 January 2017</b>		<b>1,299,156</b>	<b>(72,252)</b>	<b>(29)</b>	<b>310</b>	<b>5,147</b>	<b>5,124</b>	<b>(700,693)</b>	<b>1,824</b>	<b>538,587</b>

All items in the Consolidated Statement of Changes in Equity are net of tax.

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 January 2017

	Notes	2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		4,930,182	3,838,108
Payments to suppliers and employees		(4,727,360)	(3,774,202)
Payment for litigation claim		(11,368)	-
Interest received		1,735	1,977
Interest paid		(6,179)	(5,263)
Income taxes paid		(41,241)	(28,469)
<b>Net cash inflow from operating activities</b>	29	<b>145,769</b>	32,151
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment, software and intangibles	11,12	(27,330)	(7,196)
Acquisition of subsidiaries, net of cash acquired	18	(2,145)	(42,045)
Payments to acquire financial assets		(1,000)	(500)
Proceeds from sale of property, plant and equipment		16	105
<b>Net cash outflow from investing activities</b>		<b>(30,459)</b>	(49,636)
<b>Cash flows from financing activities</b>			
Net repayment of borrowings		(9)	(493)
Payments for shares bought back	14(a)	(4,990)	(11,142)
Purchase of Sigma shares for employees		(19,636)	(13,699)
Proceeds from employee shares exercised	14(b)	12,933	2,959
Receipts from other loans receivable		-	1,275
Dividends paid	6	(55,749)	(51,297)
<b>Net cash outflow from financing activities</b>		<b>(67,451)</b>	(72,397)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>47,859</b>	(89,882)
Cash and cash equivalents held at the beginning of the financial period		(55,607)	34,284
Effects of exchange rate changes on cash and cash equivalents		22	(9)
<b>Cash and cash equivalents at the end of the financial period</b>	29	<b>(7,726)</b>	(55,607)

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying Notes to the Consolidated Financial Statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 January 2017

## About This Report

This section provides information about the consolidated Group and how the financial statements have been prepared.

Sigma Pharmaceuticals Limited (the 'Company') is a for-profit company incorporated and domiciled in Australia. The financial report was authorised for issue by the Directors on 22 March 2017.

## Basis of Preparation

The financial statements are general purpose financial statements that:

- have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- have been prepared on a historical cost basis except for investments, which have been measured at fair value; and
- are presented in Australian dollars (Sigma's functional and presentation currency) with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Class Order 2016/191.

## Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Other significant accounting policies are contained in the Notes to the Consolidated Financial Statements to which they relate.

## Principles of Consolidation

These financial statements are of the consolidated entity consisting of the Company and its subsidiaries (together referred to as 'Sigma' or the 'Group'). The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, refer to Note 20 for a list of subsidiaries controlled at year end.

The financial report includes the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity. In preparing the financial report, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity, are eliminated in full. Non-controlling interests in the equity and results of the Groups subsidiaries are presented separately in the financial statements.

## Foreign Currency

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. Foreign exchange gains and losses are brought to account in profit or loss, except when deferred in equity as qualifying cash flow hedges. The assets and liabilities of foreign controlled subsidiaries are translated into Australian currency at rates of exchange current at balance date, while revenues and expenses are translated at the average rate calculated for the period. Exchange rate differences arising on translation are taken to the foreign currency translation reserve.

## Goods and Services Tax (GST)

Revenues, expenses, liabilities and assets are recognised net of GST, except for receivables and payables, which are recognised inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability. Cash flows are included in the Consolidated Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## Finance Costs

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

## Significant Changes in the Current Reporting Period

There were no changes in accounting policy during the year ended 31 January 2017, nor did the introduction of new accounting standards lead to any change in measurement or disclosure in these financial statements. See Note 30 for details of new accounting standards.

## Key Judgements and Estimates

Preparation of the financial report requires management to make judgements, estimates and assumptions about future events. Information on material estimates and judgements used in applying the accounting policies can be found in the following notes:

Judgement Area	Note
Carrying value of receivables	8
Carrying value of inventory	9
Impairment Goodwill	12

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Financial Performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the year and, where relevant, the accounting policies applied and the critical judgements and estimates made.

- |                        |                      |
|------------------------|----------------------|
| 1. Segment Information | 5. Earning Per Share |
| 2. Other Revenue       | 6. Dividends         |
| 3. Expenses            | 7. Subsequent Events |
| 4. Taxation            |                      |

## 1. Segment Information

### Description of Segments

Management has determined the operating segments based on the reports reviewed and used by the Group's chief operating decision makers (CODM) to make strategic and operating decisions. The CODM consists of the Executive Key Management Personnel as disclosed in the Remuneration Report on pages 4 to 21. For the year ended 31 January 2017, it was concluded that the Group continues to operate only in the Healthcare segment. The Healthcare segment represents the traditional full line pharmacy wholesale business, retail and Private Label product ranges.

The aggregation criteria under AASB 8 - *Operating Segments* has been applied to include the results of Central Healthcare Group, Discount Drugstores Pty Ltd and NostraData Pty Ltd within the Healthcare segment. Central Healthcare Group, Discount Drugstores Pty Ltd and NostraData Pty Ltd are separate cash generating units for impairment testing purposes.

## Segment Information Provided to the CODM

The CODM primarily uses a measure of adjusted earnings before interest, tax and the effects of significant non-recurring items (Underlying EBIT) to assess the performance of the business. Underlying EBIT reconciles to profit before tax for the Group as follows:

	2017 \$'000	2016 \$'000
<b>Underlying EBIT attributable to owners of the Company</b>	<b>100,228</b>	89,174
Tax on share of profit/(loss) of equity accounted investee	-	(90)
Litigation settlement expense before tax	<b>(11,368)</b>	-
Provision for doubtful debtors - single pharmacy group	<b>(8,262)</b>	-
Additional contingent consideration from prior year acquisitions	-	(7,784)
Amortisation of other intangibles acquired	-	(940)
Non-controlling interests before interest and tax	<b>357</b>	(79)
Net finance costs	<b>(4,286)</b>	(3,480)
<b>Profit before tax</b>	<b>76,669</b>	76,801

## Geographical Segments

The Group operates predominantly within Australia.

## Information on Major Customers

One customer group contributes revenues which form 37% of the Group revenues. This customer has a long-standing relationship with Sigma and a service contract is in place until December 2019. Sales revenue for the period to 31 January 2017 was \$1,617.7 million (2016: \$1,313.3 million).

## 2. Other Revenue

	2017 \$'000	2016 \$'000
Commissions and fees	<b>12,321</b>	10,323
Membership revenue	<b>15,806</b>	15,997
Marketing services and promotional revenue	<b>38,832</b>	34,570
Sundry revenue	<b>10,440</b>	9,466
(Loss)/profit on sale of property, plant and equipment	<b>(246)</b>	(7)
<b>Total other revenue</b>	<b>77,153</b>	70,349

### Recognition and Measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts are disclosed as revenue net of returns, discounts, allowances and goods and services tax (GST). The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

#### Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Sales made during the ordinary course of business and on normal terms and conditions have an agreed period in which the inventory can be returned. An appropriate provision is recognised for these returns.

#### Commissions and Fees

Fees billed by the Group, including fees to customers for the deliveries of dangerous goods, are recognised once the service has been performed.

#### Membership Revenue

Banner store membership fees are recognised over the period of the year matching the period over which services are provided.

#### Marketing Services and Promotional Revenue

Income received from suppliers from promotional services rendered is recognised once the service obligations have been performed.

#### Deferred Income

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

### 3. Expenses

	Notes	2017 \$'000	2016 \$'000
<b>Profit before tax includes the following specific expenses:</b>			
Employee benefits expense		<b>132,356</b>	118,607
Defined contribution plans		<b>8,206</b>	7,499
Employee share-based payments expense	28	<b>2,576</b>	2,313
Directors' retirement provision		-	4
<b>Total employee benefits expense</b>		<b>143,138</b>	128,423
Amortisation - brand names	12	<b>488</b>	492
Amortisation - software	12	<b>2,198</b>	3,060
Depreciation - buildings	11	<b>491</b>	493
Depreciation - plant and equipment	11	<b>5,110</b>	4,982
<b>Total depreciation and amortisation</b>		<b>8,287</b>	9,027
Write-down of inventories to net realisable value		<b>4,731</b>	3,303
Net impairment loss on trade debtors		<b>10,109</b>	765
Rental expenses on operating leases		<b>10,360</b>	9,205
Amortisation of other intangibles acquired on acquisition		-	940

#### Employee Benefits Expense

Employer contributions to defined contribution superannuation plans are recognised as an expense in the profit or loss as they are paid or payable. Refer to Note 13 and Note 28 for details on employee benefits and share-based payments.

#### Write-down of Inventories

Included in cost of goods sold in the Consolidated Statement of Comprehensive Income. Refer to Note 9 for details.

#### Impairment of Trade Debtors

Included in sales and marketing expenses in the Consolidated Statement of Comprehensive Income. Refer to Note 8 for details.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Financial Performance continued

### 3. Expenses continued

#### Leases

The Group leases certain plant and equipment and land and buildings. Finance leases, which effectively transfer to the Group substantially all of the risks and benefits of ownership of the leased item, are capitalised at the present value of the minimum lease payments. The leased assets and corresponding liabilities are recognised and the leased assets are depreciated over the period the Group is expected to benefit from their use. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Consolidated Statement of Comprehensive Income.

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the lease items, are included in the determination of profit or loss in equal instalments over the period of the lease. Lease incentives received are recognised as an integral part of the total lease payments made and are spread on a basis representative of the pattern of benefits expected to be derived from the leased asset.

### 4. Taxation

	2017 \$'000	2016 \$'000
<b>(a) Income Tax Expense</b>		
Current tax	28,180	28,264
Deferred tax	(5,181)	(2,179)
Adjustments for current income tax of prior years	164	301
<b>Total income tax expense</b>	<b>23,163</b>	26,386
<b>(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable:</b>		
Profit before income tax	76,669	76,801
Tax at the Australian company tax rate of 30% (2016: 30%)	23,001	23,040
Tax effect of differential corporate tax rates	80	(6)
<i>Tax effect of amounts which are not deductible (taxable) in calculating taxable income:</i>		
Other items	372	3,692
Effect of recoupment of capital losses not previously recorded	(199)	(338)
Amounts over provided in prior years	(91)	(2)
<b>Total income tax expense</b>	<b>23,163</b>	26,386

	2017 \$'000	2016 \$'000
<b>(c) Amounts Recognised Directly in Equity</b>		
Net change in fair value of financial asset	58	45
Exchange differences on translation of foreign operations	(36)	(12)
<b>Total amounts recognised directly in equity</b>	<b>22</b>	33
<b>(d) Deferred Tax</b>		
Trade and other receivables	4,896	1,935
Inventories	1,849	1,758
Trade and other payables and accruals	4,753	3,935
Provisions for employee benefits	5,808	5,497
Intangible assets	(476)	(501)
Property, plant and equipment	(2,419)	(3,309)
Other	265	55
<b>Net deferred tax assets</b>	<b>14,676</b>	9,370
Deferred tax assets	17,575	13,358
Deferred tax liabilities	(2,899)	(3,988)
<b>Net deferred tax assets</b>	<b>14,676</b>	9,370

All movements in temporary differences above have been charged to income except for exchange differences on foreign operations, which were recognised in other comprehensive income and tax on the fair value change of investments. Included in net deferred tax assets is \$144,000 recognised on the acquisition of Linton Street Pty Ltd as disclosed in Note 18. Included in net deferred tax assets in the prior year is \$82,000 recognised on the acquisition of NostraData Pty Ltd as disclosed in Note 18.

#### Unrecognised Deferred Tax Losses

Deferred tax assets have not been recognised in respect of capital losses of \$216,625,000 tax effected (2016: \$216,824,000) because it is not probable that the Group will have sufficient future capital gains available against which the deferred tax asset could be utilised. These capital losses arose from the sale of the Group's pharmaceutical division in 2011.

#### Income Tax – Recognition and Measurement

##### Current Tax

Income tax payable represents the amount expected to be paid to taxation authorities on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of prior years.

## Deferred Tax

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Income tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the tax is also recognised there.

## Australian Tax Consolidation

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated Group with effect from 19 December 2005 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated Group is Sigma Pharmaceuticals Limited and has assumed the current tax liabilities and any deferred tax assets arising from unused tax losses of the members in the tax-consolidated Group.

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

## Nature of Tax Funding Arrangements and Tax Sharing Arrangements

Entities in the tax-consolidated Group entered into a tax funding arrangement with the head entity. The arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call.

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

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

## 5. Earnings Per Share

	2017	2016
<b>(a) Basic and Diluted Earnings Per Share</b>		
Basic (cents per share)	5.4	5.0
Diluted (cents per share)	5.0	4.7
<b>(b) Reconciliation of Earnings Used in Calculating Basic and Diluted Earnings Per Share</b>		
Profit attributable to owners of the Company (\$'000s)	53,184	50,502
<b>(c) Weighted Average Number of Shares Used as the Denominator</b>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (No. '000s)	992,854	1,002,611
<i>Adjustments for calculation of diluted earnings per share:</i>		
Performance rights/options (No. '000s)	65,563	66,500
Effect of shares held under Sigma Employee Share Plan (No. '000s)	13,015	10,141
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (No. '000s)	1,071,432	1,079,252

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Financial Performance continued

### 5. Earnings Per Share continued

#### Performance Rights and Options

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

### 6. Dividends

	2017		2016	
	Cents Per Share	\$'000	Cents Per Share	\$'000
<b>Recognised amounts</b>				
Final dividend – prior year	3.0	32,383	3.0	32,803
Interim dividend – current year	2.5	26,951	2.0	21,618
<b>Dividends recognised by the parent entity</b>		<b>59,334</b>		54,421
Less: Dividends paid on the shares held by Sigma Employee Share Plan		(175)		(221)
Less: Dividends paid on the shares under the Sigma Employee Share Plan		(3,410)		(2,903)
<b>Dividends paid by the Group</b>		<b>55,749</b>		51,297

All dividends declared and subsequently paid by the Company are franked to 100% at the 30% company income tax rate. Dividends are recognised when an obligation to pay a dividend arises, following declaration of the dividend by the Company's Board of Directors.

Since the end of the year, the Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2017 to shareholders on the register at the ex-dividend date of 6 April 2017. The total amount payable is \$32.3 million.

	2017 \$'000	2016 \$'000
<b>Dividend franking account</b>		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2016: 30%)	20,084	17,862

The above amounts represent the balance of the franking account as at the end of the year, adjusted for franking credits that will arise from the payment of the amount of the current income tax liability.

The impact on the dividend franking account of the dividend recommended by the Directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$13,824,494 (2016: \$13,878,521).

The above franking credit balance excludes \$12,333 franking debits (2016: \$51,557 franking credits) attributable to non-controlling interests.

### 7. Subsequent Events

#### (a) Dividends

Since the end of the year, the Directors have resolved to pay a final dividend of 3.0 cents per share fully franked, to be paid on 21 April 2017 to shareholders on the register at the ex-dividend date of 6 April 2017. The total amount payable is \$32.3 million.

#### (b) Western Australia Land Purchase

On 3 February 2017 the Group acquired land in Canning Vale in Western Australia for \$12.8 million for the purpose of building a future distribution centre.

Other than the matters discussed above, there has not been any other matter or circumstance that has arisen since 31 January 2017 that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years not otherwise disclosed.

## Operating Assets and Liabilities

This section provides information relating to the operating assets and liabilities of the Group used to generate the Group's performance.

8. Trade and Other Receivables	11. Property, Plant and Equipment
9. Inventories	12. Goodwill and Other Intangible Assets
10. Trade and Other Payables	13. Provisions and Contingencies

### 8. Trade and Other Receivables

	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade receivables	551,403	604,259
Provision for impairment of trade receivables	(14,445)	(5,040)
Other receivables	29,937	19,029
<b>Total current receivables</b>	<b>566,895</b>	618,248
<b>Non-current</b>		
Trade receivables	3,459	9,185
<b>Total non-current receivables</b>	<b>3,459</b>	9,185
<b>Movements in the provision for impairment of trade receivables:</b>		
Carrying value at the beginning of the year	5,040	3,184
Provision raised during the year	10,498	3,015
Receivables written off during the year as uncollectible	(1,093)	(1,159)
<b>Carrying value at the end of the year</b>	<b>14,445</b>	5,040

#### Trade Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date. Trade debtors generally have terms of 30 days. Trade debtors have been utilised to secure a cash advance from the Westpac debtors securitisation facility of \$32,129,000 at 31 January 2017 (2016: \$73,014,000).

	2017 \$'000	2016 \$'000
<b>Ageing of trade receivables</b>		
Not past due	521,605	593,143
<i>Past due but not impaired:</i>		
0 – 30 days	11,531	11,342
31 – 60 days	1,160	747
60+ days	6,121	3,172
<b>Total trade receivables</b>	<b>540,417</b>	608,404
<b>Ageing of impaired trade receivables</b>		
0 – 30 days	-	-
31 – 60 days	52	-
60+ days	14,393	5,040
<b>Total impaired trade receivables</b>	<b>14,445</b>	5,040

#### Recoverability of Trade Receivables

Recoverability of trade receivables is reviewed regularly and at each reporting period. A provision for impairment of trade receivables is recognised when there is objective evidence that all amounts due may not be fully recovered. Objective evidence includes financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency of payments. Where debt recovery is remote, the amount has been fully provided and, in instances where there is a reasonable prospect of debt recovery, an estimate has been made by management on the most likely outcome according to information available at 31 January 2017.

The Group has not impaired all debts that are past due at 31 January 2017 as most of these balances relate to customers for whom there is no recent history of default and are still considered fully recoverable. In most circumstances the Group does not hold any collateral as security on trade receivables, apart from a standard retention of title clause. For information on the Groups credit risk management refer to Note 17.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Operating Assets and Liabilities continued

### 9. Inventories

	2017 \$'000	2016 \$'000
<b>At cost</b>		
Finished goods	328,162	294,488
Provision for obsolescence	(6,162)	(5,862)
<b>Net inventories</b>	<b>322,000</b>	288,626

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average cost. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale. Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement.

The provision for inventory obsolescence is based on management judgement, with consideration given to historical inventory write-offs, inventory turnover trends and other analysis. The actual amount of inventory write-offs could be higher or lower than the allowance made.

### 10. Trade and Other Payables

	2017 \$'000	2016 \$'000
<b>Current</b>		
Trade payables	475,285	406,657
Other payables and accruals	48,485	39,455
<b>Total current payables</b>	<b>523,770</b>	446,112
<b>Non-current</b>		
Other payables and accruals	426	295
<b>Total non-current payables</b>	<b>426</b>	295

Trade payables, other payables and accruals represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. Trade and other payables are stated at amortised cost. Trade payables are unsecured and are normally settled within 30–60 days of the invoice date.

The carrying amounts of the Group's trade and other payables are denominated in Australian dollars. For an analysis of the sensitivity of trade and other payables to foreign currency risk refer to Note 17.

### 11. Property, Plant and Equipment

	Notes	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 1 February 2015</b>				
Cost		34,322	69,412	103,734
Accumulated depreciation		(7,686)	(38,332)	(46,018)
<b>Net book amount</b>		26,636	31,080	57,716
<b>Year ended 31 January 2016</b>				
Opening net book amount		26,636	31,080	57,716
Additions		753	5,575	6,328
Acquisition of subsidiaries	18	-	83	83
Transfer of completed projects		118	(118)	-
Disposals		-	(112)	(112)
Depreciation	3	(493)	(4,982)	(5,475)
<b>Closing net book amount</b>		27,014	31,526	58,540
<b>At 31 January 2016</b>				
Cost		35,193	74,374	109,567
Accumulated depreciation		(8,179)	(42,848)	(51,027)
<b>Net book amount</b>		<b>27,014</b>	<b>31,526</b>	<b>58,540</b>
<b>Year ended 31 January 2017</b>				
Opening net book amount		27,014	31,526	58,540
Additions		15,333	9,859	25,192
Disposals		(32)	(229)	(261)
Depreciation	3	(491)	(5,110)	(5,601)
<b>Closing net book amount</b>		<b>41,824</b>	<b>36,046</b>	<b>77,870</b>
<b>At 31 January 2017</b>				
Cost		50,467	83,408	133,875
Accumulated depreciation		(8,643)	(47,362)	(56,005)
<b>Net book amount</b>		<b>41,824</b>	<b>36,046</b>	<b>77,870</b>

### Capital Work in Progress

Included in property, plant and equipment at 31 January 2017 is \$22,825,566 of capital work in progress (\$16,770,773 in land and buildings and \$6,054,793 in plant and equipment) (2016: \$2,963,598). The majority of this balance relates to the construction of the Berrinba distribution centre in Queensland.

### Recognition and Measurement

Property, plant and equipment is recorded at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. Property, plant and equipment, other than freehold land, is depreciated or amortised on a straight-line basis over the expected useful life for the asset. Estimated useful lives and depreciation methods are reviewed at the end of the reporting period. The following estimated useful lives are used in the calculation of depreciation:

Item	Useful Life	Depreciation Method
Freehold land	n/a	No depreciation
Buildings	40 years	Straight line
Plant and equipment	2-20 years	Straight line

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

Property, plant and equipment is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash generating units or CGUs).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Operating Assets and Liabilities continued

### 12. Goodwill and Other Intangible Assets

	Notes	Intangibles			Other Intangibles <sup>1</sup> \$'000	Total \$'000
		Goodwill \$'000	Brand Names \$'000	Software \$'000		
<b>At 1 February 2015</b>						
Cost		75,217	24,459	11,966	-	111,642
Accumulated amortisation		-	(10,764)	(2,617)	-	(13,381)
<b>Net book amount</b>		<b>75,217</b>	<b>13,695</b>	<b>9,349</b>	<b>-</b>	<b>98,261</b>
<b>Year ended 31 January 2016</b>						
Opening net book amount		75,217	13,695	9,349	-	98,261
Additions		-	-	868	-	868
Acquisition of subsidiaries	18	6,157	5	820	-	6,982
Transfer from goodwill to brand names and others		(2,198)	1,258	-	940	-
Foreign currency movements		-	(81)	-	-	(81)
Amortisation	3	-	(492)	(3,060)	(940)	(4,492)
<b>Closing net book amount</b>		<b>79,176</b>	<b>14,385</b>	<b>7,977</b>	<b>-</b>	<b>101,538</b>
<b>Year ended 31 January 2016</b>						
Cost		79,176	25,535	13,654	940	119,305
Accumulated amortisation		-	(11,150)	(5,677)	(940)	(17,767)
<b>Net book amount</b>		<b>79,176</b>	<b>14,385</b>	<b>7,977</b>	<b>-</b>	<b>101,538</b>
<b>Year ended 31 January 2017</b>						
Opening net book amount		<b>79,176</b>	<b>14,385</b>	<b>7,977</b>	<b>-</b>	<b>101,538</b>
Additions		-	<b>3</b>	<b>2,135</b>	<b>-</b>	<b>2,138</b>
Acquisition through business combinations	18	<b>1,613</b>	-	-	-	<b>1,613</b>
Foreign currency movements		-	<b>91</b>	-	-	<b>91</b>
Amortisation	3	-	<b>(488)</b>	<b>(2,198)</b>	<b>-</b>	<b>(2,686)</b>
<b>Closing net book amount</b>		<b>80,789</b>	<b>13,991</b>	<b>7,914</b>	<b>-</b>	<b>102,694</b>
<b>Year ended 31 January 2017</b>						
Cost		<b>80,789</b>	<b>25,882</b>	<b>15,820</b>	<b>940</b>	<b>123,431</b>
Accumulated amortisation		-	<b>(11,891)</b>	<b>(7,906)</b>	<b>(940)</b>	<b>(20,737)</b>
<b>Net book amount</b>		<b>80,789</b>	<b>13,991</b>	<b>7,914</b>	<b>-</b>	<b>102,694</b>

1. Other Intangibles consist of customer relationships and supplier contracts.

## Recognition and Measurement

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

### Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets acquired at the date of acquisition. Goodwill is measured at cost and subsequently measured at cost less any impairment losses.

### Brand Names

Brand names have a finite useful life and are carried at cost less accumulated amortisation. Where acquired in a business combination, cost represents the fair value at the date of acquisition. They are amortised over their expected useful lives, which vary from 25 to 60 years.

### Software

Software assets acquired by the Group are initially recognised at cost and subsequently measured at cost less accumulated amortisation and any impairment losses. Internally developed systems are capitalised once the project is assessed to be feasible. The costs capitalised include consulting, licensing and direct labour costs. Costs incurred in determining project feasibility are expensed as incurred. Software assets are amortised on a straight-line basis over their useful lives. The estimated useful lives are generally three to seven years. The estimated useful lives and amortisation method are reviewed annually at the end of the reporting period.

### Impairment of Assets

Assets with finite useful lives are subject to amortisation and are reviewed for impairment at each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped into CGUs. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## Allocation of Goodwill to Cash Generating Units

For impairment testing purposes, goodwill is allocated to each of the Group's CGUs expected to benefit from the synergies of the business combination. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to other assets in the CGU pro rata on the basis of the carrying amount of each asset in the CGU. On disposal of an operating unit within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation. The Group's goodwill is allocated to the Group's CGUs as follows:

	Notes	2017 \$'000	2016 \$'000
<b>Goodwill allocation to cash generating units</b>			
Sigma		28,027	28,027
Central Healthcare Group (CHS) <sup>1</sup>		27,061	25,448
Discount Drugstores Pty Ltd (DDS)		19,544	19,544
NostraData		6,157	6,157
<b>Total goodwill</b>	18	<b>80,789</b>	79,176

1. During the year the Group incorporated a company, Linton Street Pty Ltd, to acquire a Western Australian pharmacy supplies sales business, refer to Note 18 for details. The acquisition was completed on an arm's length basis and it has been determined that the acquisition value is a reliable estimation of fair value less costs to sell at 31 January 2017. Linton Street Pty Ltd is a subsidiary of Central Healthcare Services Pty Ltd and the goodwill associated with the acquisition is included in the Central Healthcare Group CGU.

### Impairment Testing of Goodwill

The recoverable amount of each CGU has been determined based on value-in-use calculations which use cash flow projections covering a five-year period with a terminal growth rate at the end of that period. The model utilises cash flow forecasts that are based on the annual plan presented to and approved by the Board on 7 December 2016.

The determination of recoverable amount includes management estimate and judgement. The key assumptions used for assessing the recoverable amount of the CGUs are set out below:

	2017 %	2016 %
Discount rate pre tax	12.2	13.2
EBIT growth rate (beyond approved annual plan)	3.5	3.5
Terminal value growth rate	2.5	2.5

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Operating Assets and Liabilities continued

### 12. Goodwill and Other Intangible Assets continued

#### Impairment Testing of Goodwill continued

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Cash flow forecasts are based on each CGUs annual plan for the base year of the model (year ending 31 January 2018). Cash flows for a further four years have been extrapolated using consistent principles from the year one annual plan. These annual plans have been presented to and approved by the Board.
- Terminal value is calculated using the Gordon Growth Model.
- Forecast growth rates are based on CPI adjusted for past performance and management's expectations for future performance in each CGU.
- The discount rate is derived from the Group's weighted average cost of capital.

Management also believes that any reasonable possible change in the key assumptions would not cause the carrying amount of any of the cash generating units to exceed the recoverable amount.

### 13. Provisions and Contingencies

#### Provisions

	2017 \$'000	2016 \$'000
<b>Current</b>		
Employee benefits	14,257	13,728
Lease make good	1,038	622
Other provisions	598	-
<b>Total current provisions</b>	<b>15,893</b>	14,350
<b>Non-current</b>		
Employee benefits	1,711	1,283
Lease make good	2,339	2,706
<b>Total non-current provisions</b>	<b>4,050</b>	3,989

Provisions are recognised when a present legal, equitable or constructive obligation exists as a result of a past event, it can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### Lease Make Good

A provision for lease make good is recognised in relation to the properties held under operating lease. The Group recognises the provision for property leases which contain specific clauses to restore the property to a specific condition. The provision at balance date represents management's best estimate of the present value of the future make good costs required.

#### Employee Benefits

The employee benefits liability represents accrued wages and salaries, leave entitlements and other incentives recognised in respect of employees' services up to the end of the reporting period. These liabilities are measured at the amounts expected to be paid when they are settled and include related on-costs, such as worker's compensation insurance, superannuation and payroll tax.

The provision for employee benefits is measured at the remuneration rates expected to be paid when the liability is settled. Benefits expected to be settled beyond 12 months from the reporting date are measured at the present value of estimated future payments for the services provided by employees up to the end of the reporting period. This calculation requires judgement in determining future increase in wages and salary rates, future on-cost rates and expected settlement dates based on staff turnover history. The liability is discounted using the Australian corporate bond rates which most closely match the terms to maturity of the entitlement.

#### Contingencies

##### Contingent Liabilities

##### Other Claims

The Group is exposed to various claims and litigations in the normal course of business. The Group assesses each claim to determine any potential liability to the Group on a case by case basis.

## Capital Structure and Financing

This section provides information relating to the Group's capital structure and its exposure to financial risk, how they affect the Group's financial position and performance, and how the risks are managed.

14. Contributed Equity	16. Borrowings
15. Reserves	17. Financial Risk Management

### 14. Contributed Equity

	2017 \$'000	2016 \$'000
<b>Issued capital:</b>		
Ordinary shares fully paid	1,299,156	1,304,146
<b>Issued capital held by equity compensation plan:</b>		
Treasury shares	(72,252)	(65,752)
<b>Total contributed capital</b>	<b>1,226,904</b>	<b>1,238,394</b>

#### Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of shares held. Every ordinary shareholder present at a meeting of the Company in person or by proxy is entitled to one vote, and upon a poll each ordinary share is entitled to one vote. Ordinary shares have no par value. Incremental costs directly attributable to the issue of new shares are shown in equity as a reduction, net of tax, from the proceeds.

#### Treasury Shares

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

### (a) Movements in Ordinary Share Capital

	Number of Shares	\$'000
Balance at 1 February 2015	1,093,424,867	1,315,288
Shares bought on market	(13,984,377)	(11,142)
<b>Balance at 31 January 2016</b>	<b>1,079,440,490</b>	<b>1,304,146</b>
Shares bought on market	(4,202,096)	(4,990)
<b>Balance at 31 January 2017</b>	<b>1,075,238,394</b>	<b>1,299,156</b>

### (b) Movements in Treasury Share Capital

	Number of Shares	\$'000
Balance at 1 February 2015	(81,917,558)	(59,822)
Shares bought on-market	(17,000,000)	(13,722)
Employee shares exercised	5,503,107	2,959
Reclassification of settled and expired share-based transactions	-	4,833
<b>Balance at 31 January 2016</b>	<b>(93,414,451)</b>	<b>(65,752)</b>
Shares bought on-market	(15,400,000)	(19,636)
Employee shares exercised	22,100,205	12,933
Reclassification of settled and expired share-based transactions	-	203
<b>Balance at 31 January 2017</b>	<b>(86,714,246)</b>	<b>(72,252)</b>

#### Capital Management

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

#### Share Buy-back

In October 2012, the Company announced that as part of its ongoing capital management strategy it would undertake an on-market share buy-back of up to 10% of its issued ordinary shares. The share buy-back commenced on 2 October 2012. A total of 4,202,096 (2016: 13,984,377) shares were bought back during the year at a total cost of \$4,990,000 (2016: \$11,142,000). The average price paid was \$1.19 (2016: \$0.80). Of the 4,202,096 shares bought back during the year, the Group has cancelled 2,364,599 shares in the current year. The remaining 1,837,497 shares bought back were cancelled in February 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Capital Structure and Financing continued

### 15. Reserves

	2017 \$'000	2016 \$'000
<b>Reserves:</b>		
Fair value reserve	(29)	105
Foreign currency translation reserve	310	226
Options/performance rights reserve	5,147	4,482
Employee share reserve	5,124	5,835
<b>Total</b>	<b>10,552</b>	10,648

The Group's reserves are presented in the Consolidated Statement of Changes in Equity. The nature and purpose of each reserve is presented below.

#### Fair Value Reserve

The fair value reserve represents the cumulative gains and losses arising on the revaluation of the investment in other financial assets that have been recognised in other comprehensive income net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

#### Foreign Currency Translation Reserve

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

#### Option/Performance Rights Reserve

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

#### Employee Share Reserve

This reserve is used to recognise dividends paid by the Company that were eliminated on consolidation of unvested shares held by Sigma Employee Share Plan referred to in Note 28. The reserve will reverse against share capital held by the equity compensation plan when the shares vest.

### 16. Borrowings

	2017 \$'000	2016 \$'000
<b>Current</b>		
Other secured loans	14	11
<b>Total current borrowings</b>	<b>14</b>	11
<b>Non-current</b>		
Other secured loans	47	63
Unsecured loans	969	965
<b>Total non-current borrowings</b>	<b>1,016</b>	1,028

#### Recognition and Measurement

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequently, borrowings are stated at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months from balance date, and intends to do so.

#### Westpac Debtor's Securitisation Facility

The Company has a \$250 million debtor securitisation facility with Westpac Banking Corporation split into an overdraft facility of \$155 million and a revolving facility of \$95 million (see table on the following page).

The facility is subject to interest cover and gearing covenants and provides the Company with additional funding flexibility to meet its working capital requirements. Using a pool of its eligible receivables as security, Sigma can draw down funds provided through advances from Westpac pursuant to the agreement in place. Repayment of the Westpac advances occurs from the collection of the underlying receivables.

The interest rate applicable to the facility is variable and Sigma does not hedge the interest rate. The costs associated with this program are recorded in 'finance costs' in the Consolidated Statement of Comprehensive Income.

#### Debtor Securitisation Programme

The consolidated Group operates a debtor securitisation programme. This programme allows the Group 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 costs associated with this programme are recorded in 'sales and marketing expenses' in the Consolidated Statement of Comprehensive Income.



### Financial Guarantee Contracts

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

### Credit Facilities

The Group maintains the following credit facilities:

	2017		2016	
	Total Facility \$'000	Unused \$'000	Total Facility \$'000	Unused \$'000
<b>Credit standby facilities</b>				
Secured bank overdraft facilities	155,000	122,871	155,000	81,986
Westpac debtor's securitisation facility	95,000	95,000	95,000	95,000
Corporate credit card	3,144	3,039	3,124	3,025

## 17. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's Treasury function is responsible for managing the liquidity requirements of the Group and mitigating these financial risks through continuous monitoring and evaluation.

The Group adheres to a set of policies approved by the Board of Directors, which provide written principles on liquidity risk, foreign exchange risk, interest rate risk, credit risk and the use of derivative financial instruments, as required, for hedging purposes. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

There have been no changes to the Group's exposure to financial risks or the manner in which it manages and measures these risks from the prior year.

The Group holds the following financial instruments:

	2017 \$'000	2016 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	24,403	17,407
Trade and other receivables	570,354	627,433
Other financial assets	1,458	650
<b>Total financial assets</b>	<b>596,215</b>	645,490
<b>Financial liabilities</b>		
Bank overdraft	32,129	73,014
Trade and other payables	524,196	446,407
Borrowings	1,030	1,039
<b>Total financial liabilities</b>	<b>557,355</b>	520,460

### (a) Market Risk

#### (i) Foreign Exchange Risk

The Group operates within Australia and maintains a subsidiary operation within New Zealand. The Group trades predominantly with entities in Australian dollars; accordingly exposure of the Group to foreign exchange risks arising from currency movements is minimal. The Group did not enter into forward exchange contracts during the year ended 31 January 2017 to purchase any foreign currency.

#### (ii) Cash Flow and Fair Value Interest Rate Risk

The Group is exposed to interest rate risk from changes in interest rates on the Group's interest bearing liabilities. As interest rates fluctuate, the amount of interest payable on financing where the interest rate is not fixed will also fluctuate.

Consistent with policy, the Group may seek to mitigate its exposure to fluctuations in interest rates by entering into interest rate hedging contracts for a portion of forecast interest rate exposures. The Group did not enter into any interest rate hedge contracts during the year ended 31 January 2017 (2016: nil).

The following table summarises the principal amount on outstanding balances at balance date and the weighted average interest rate for these balances throughout the year. The table also summarises the Group's exposure to interest rate risk of both financial assets and liabilities. The sensitivity has been performed using a 100 basis point variation as management considers this to be reasonable having regard to historic movements in interest rates. The sensitivity has been measured by the quantitative impact on profit before tax ('profit' in the table) if the variation were to occur.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Capital Structure and Financing continued

### 17. Financial Risk Management continued

#### (a) Market Risk continued

##### (ii) Cash Flow and Fair Value Interest Rate Risk continued

	2017				2016			
	Balance \$'000	Weighted Average Rate %	-1% Profit \$'000	+1% Profit \$'000	Balance \$'000	Weighted Average Rate %	-1% Profit \$'000	+1% Profit \$'000
<b>Financial assets</b>								
Cash and cash equivalents	24,403	0.7	(244)	244	17,407	0.9	(174)	174
<b>Financial liabilities</b>								
Borrowings – secured	(61)	4.5	1	(1)	(74)	4.5	1	(1)
Bank overdraft	(32,129)	3.4	321	(321)	(73,014)	3.6	730	(730)
<b>Total (decrease)/increase</b>			<b>78</b>	<b>(78)</b>			<b>557</b>	<b>(557)</b>

#### (b) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Group has endeavoured to minimise credit risk by dealing with creditworthy counterparties.

The principal activity of the Group gives rise to a significant receivables value within the financial assets of the Group. The credit risk on the trade receivables of the Group is generally the carrying amount, net of any provisions for doubtful debtors.

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

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

#### (c) Liquidity Risk

The Group manages liquidity risk by maintaining sufficient cash reserves, marketable securities and access to cash via committed credit facilities in order to meet commitments as and when they fall due, and by monitoring forecast and actual cash flows.

The Group's finance facilities and the amounts unused at balance date are summarised in Note 16.

The weighted average term to maturity of committed bank facilities and rolling cash flow forecasts are periodically provided to management and the Board. Predominantly all of the Group's financial assets and liabilities are due within the next 12 months. The Westpac debtor's securitisation has been classified as current as the loan has a maturity profile that varies between 30 and 90 days.

#### (d) Other Financial Asset – Fair Value

At 31 January 2017, the only financial asset or liability recorded at fair value was listed shares held by the Group that are traded in an active market. The investment is classified as available-for-sale and fair value is determined in the manner described below.

In accordance with AASB 7 *Financial Instruments* this investment is considered a Level 1 financial instrument as the fair value is based on a quoted price in an active market. This asset is classified as available-for-sale.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, which are recognised in profit or loss.

Equity instruments are held for strategic rather than trading purposes. The Group does not actively trade these investments. Based on the value of this investment, the Group's exposure to price risk is not consider material.

#### Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- **Level 1** – inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2** – inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- **Level 3** – inputs are unobservable inputs for the asset or liability.

## Group Structure

This section provides information about Sigma's group structure and how any changes have affected the financial position and performance of the Group.

18. Business Acquisitions	21. Related Party Disclosures
19. Non-controlling Interest	22. Parent Company Financial Information
20. Details of Controlled Entities	23. Deed of Cross Guarantee

### 18. Business Acquisitions

Business combinations are accounted for using the acquisition method. Identifiable assets, liabilities and contingent liabilities acquired are measured at fair value at the acquisition date.

The fair value of the consideration transferred comprises the initial cash paid to the sellers and an estimate for any future payments the Group may be liable to pay, based on future performance of the business. This latter amount is classified as contingent consideration and can be either classified as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. Acquisition-related costs are expensed as incurred in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (no more than 12 months from the acquisition date) or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Group Structure continued

### 18. Business Acquisitions continued

#### Goodwill Arising on Acquisitions

	Notes	Linton Street \$'000	NostraData \$'000	Central Healthcare Group \$'000	Discount Drug Stores \$'000	Member Benefits Australia \$'000	Total \$'000
<b>2016</b>							
<b>Goodwill at 31 January 2015</b>		-	-	35,026	40,191	-	75,217
Less: Identified intangible assets		-	-	(1,095)	(1,103)	-	(2,198)
Fair value of previously held equity interest		-	7,812	-	-	-	7,812
Less: Fair value of identified net assets		-	(3,245)	-	-	-	(3,245)
Plus: Non-controlling interest (Note 19)		-	1,590	-	-	-	1,590
<b>Total Goodwill at 31 January 2016</b>	12	-	<b>6,157</b>	<b>33,931</b>	<b>39,088</b>	-	<b>79,176</b>
<b>2017</b>							
Cash consideration paid		<b>2,145</b>	-	-	-	-	<b>2,145</b>
Contingent consideration		<b>1,025</b>	-	-	-	-	<b>1,025</b>
Less: Fair value of identified net assets		<b>(1,557)</b>	-	-	-	-	<b>(1,557)</b>
Goodwill (provisional) on current year acquisitions		<b>1,613</b>	-	-	-	-	<b>1,613</b>
<b>Total Goodwill at 31 January 2017</b>	12	<b>1,613</b>	<b>6,157</b>	<b>33,931</b>	<b>39,088</b>	-	<b>80,789</b>

#### Linton Street Pty Ltd (Linton Street)

On 30 November 2016, the Group acquired a Western Australian pharmacy supplies sales business through a newly incorporated company, Linton Street Pty Ltd. The acquisition will broaden the Group's customer profile and expand the Group's reach in the Western Australian market. In relation to this acquisition we note:

- The assessment of the fair value of any potential identifiable intangible assets has not been completed as at 31 January 2017.
- The fair value of the assets and liabilities acquired are recorded on a provisional basis.
- If new information is obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date and this identifies adjustments to the above amounts, the acquisition accounting will be revised.

The Group has agreed to pay the previous owners additional consideration (contingent consideration) based on a multiple of earnings over the 12 months to 30 November 2017. The contingent consideration that has been recorded is based on an estimate of earnings over this period and is the maximum amount payable to the previous owners based on the terms of the sale agreement.

#### NostraData Pty Ltd (NostraData)

As reported in the annual financial report for the year ended 31 January 2016, on 12 November 2015 the Group acquired control of NostraData Pty Ltd when its 51% non-voting ordinary shares held in the entity were converted to voting ordinary shares. The results of NostraData Pty Ltd were consolidated into the Group from that date. Prior to Sigma gaining control, the investment was recorded as an equity accounted investment.

The fair value of assets and liabilities acquired and goodwill recorded from the acquisition were provisionally reported in the annual financial report for the year ended 31 January 2016. Since this date the acquisition accounting for NostraData Pty Ltd has been completed and there is no change from the results reported at that time.

### Contingent Consideration From Prior Year Acquisitions

In the prior year an expense of \$7,784,000 was recorded to profit or loss to record the differential between the actual contingent consideration paid out on the acquisitions of Central Healthcare Group and Discount Drugstores Pty Ltd, and that estimated in the prior year as part of the initial purchase price accounting.

### Fair Value of Identifiable Net Assets Acquired

		2017	2016
	Notes	Linton Street \$'000	NostraData \$'000
Cash and cash equivalents		-	2,948
Inventories		1,870	-
Prepayments		-	38
Trade and other receivables		3,183	1,504
Property, plant and equipment	11	-	83
Intangibles	12	-	825
Net deferred tax assets		144	82
Trade and other payables		(3,449)	(873)
Provisions		(191)	(127)
Borrowings		-	(1,235)
<b>Net identifiable assets acquired</b>		<b>1,557</b>	<b>3,245</b>

### Cash Flow on Acquisition

	2017	2016
	\$'000	\$'000
<b>Net cash outflow arising on acquisition</b>		
Consideration paid in cash	2,145	-
Contingent consideration paid on prior year acquisition	-	44,993
Less: Cash and cash equivalent balances acquired	-	(2,948)
<b>Total</b>	<b>2,145</b>	<b>42,045</b>

### Acquisition-related Costs

The Group incurred acquisition related costs of \$76,000 (2016: \$21,000) on external legal fees and due diligence costs. These costs are included in 'administration expenses' in the Consolidated Statement of Comprehensive Income.

### 19. Non-controlling Interest

	2017	2016
	\$'000	\$'000
<b>Non-controlling interest</b>		
Balance at beginning of the year	1,502	(1)
Non-controlling interests arising on the acquisition of NostraData Pty Ltd (see Note 18)	-	1,590
Share of profit/(loss) for the year	322	(87)
<b>Total</b>	<b>1,824</b>	<b>1,502</b>

The non-controlling interests on the date of acquisition are measured at the non-controlling shareholders' proportion of the net fair value of the identifiable assets assumed. Transactions with non-controlling interests are recorded directly in retained earnings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Group Structure continued

### 20. Details of Controlled Entities

The consolidated financial statements include the assets, liabilities and results of the following controlled entities:

	Country of Incorporation	Ownership Interest	
		2017 %	2016 %
<b>Parent Entity</b>			
Sigma Pharmaceuticals Limited <sup>2</sup>	Australia		
<b>Subsidiaries</b>			
Chemist Club Pty Limited <sup>1,3</sup>	Australia	100	100
Sigma Company Limited <sup>1,3</sup>	Australia	100	100
Allied Master Chemists of Australia Limited <sup>1,3</sup>	Australia	100	100
Guardian Pharmacies Australia Pty Ltd <sup>1,3</sup>	Australia	100	100
Sigma Employee Share Administration Pty Ltd	Australia	100	100
Sigma NZ Limited	New Zealand	100	100
Pharmacy Wholesalers (Wellington) Limited	New Zealand	100	100
QDL Limited <sup>1,3</sup>	Australia	100	100
Sigma (W.A.) Pty Ltd <sup>1,3</sup>	Australia	100	100
Central Healthcare Pty Ltd <sup>1,3</sup>	Australia	100	100
Central Healthcare Services Pty Ltd <sup>1,3</sup>	Australia	100	100
Linton Street Pty Ltd <sup>1,3</sup>	Australia	100	-
PriceSave Pty Ltd <sup>1,3</sup>	Australia	100	100
PharmaSave Australia Pty Ltd <sup>1,3</sup>	Australia	100	100
Discount Drugstores Pty Ltd <sup>1,3</sup>	Australia	100	100
Member Benefits Australia Pty Ltd	Australia	51	51
NostraData Pty Ltd	Australia	51	51

1. These wholly-owned companies are subject to a Deed of Cross Guarantee (see Note 23).

2. Sigma Pharmaceuticals is the head entity within the tax-consolidated Group.

3. These wholly-owned subsidiaries are members of the tax-consolidated Group.

### 21. Related Party Disclosures

#### The Company

Sigma Pharmaceuticals Limited is the parent entity of the Group.

#### Controlled Entities

Interests in controlled entities are set out in Note 20. The Company transacted business throughout the financial period with certain controlled entities in respect of purchases of goods and services. These transactions were undertaken on normal commercial terms and conditions.

#### Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 27 and in the Remuneration Report.

#### Other Transactions with Directors

Mr D Manuel and his Director-related entities purchased pharmacy products from the Group in the ordinary course of business and on normal commercial terms and conditions. The amount of these purchases during the year ended 31 January 2017 was \$5,598,240 (2016: \$4,848,220). The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 8 was \$674,633 (2016: \$577,195). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

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

## 22. Parent Company Financial Information

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

	2017 \$'000	2016 \$'000
<b>Balance sheet</b>		
Current assets	80,888	51,578
Non-current assets	363,956	363,571
<b>Total assets</b>	<b>444,844</b>	415,149
<b>Current liabilities</b>	<b>134,560</b>	100,776
Non-current liabilities	127	76
<b>Total liabilities</b>	<b>134,687</b>	100,852
<b>Net assets</b>	<b>310,157</b>	314,297
<b>Equity</b>		
Issued capital	294,524	299,513
Reserves	2,059	1,912
Accumulated profit	13,574	12,872
<b>Total equity</b>	<b>310,157</b>	314,297
<b>Financial performance</b>		
Profit for the year	58,126	48,289
<b>Total comprehensive income for the year</b>	<b>58,126</b>	48,289

### (a) Guarantees Entered Into by Parent Entity

The parent entity has provided financial guarantees in respect of the subsidiary's Westpac debtor securitisation facility. As at 31 January 2017, the balance of the facility is \$32,129,000 (2016: \$73,014,000). The facility is also secured by way of deed over certain account receivables under the Westpac debtor securitisation facility.

In addition, under the terms of a Deed of Cross Guarantee dated 20 January 2006, entered into accordance with the ASIC Class Order 98/1418, the Company has undertaken to meet any shortfall which might arise on the winding up of controlled entities which are party to the Deed (see Note 23). No deficiencies of assets exist in any of these entities. No liability was recognised by the parent entity or the consolidated entity in relation to these cross guarantees, as the fair value of the guarantees is immaterial.

### (b) Parent Company Investment in Subsidiary Companies

Investments in subsidiaries are carried at cost in the individual financial statements of Sigma Pharmaceuticals Limited. An impairment loss is recognised whenever the carrying amount of the investment exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less costs to sell. The carrying value of the parent's investment in subsidiaries as at 31 January 2017 was \$363,511,000 (2016: \$363,511,000).

### (c) Receivables From Controlled Entities

The parent entity did not have any impairment in respect of any intercompany loan receivable during the current year (2016: nil). The parent loan receivable is not overdue and eliminates on consolidation.

### (d) Contingent Liabilities of the Parent Entity

Refer to Note 13 for comment on contingent liability. The parent entity did not have any other contingent liabilities as at 31 January 2017. For information about guarantees given by the parent entity, see above.

### (e) Contractual Commitments for the Acquisition of Property, Plant or Equipment

The parent entity did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 January 2017 or 31 January 2016.

## 23. Deed of Cross Guarantee

Pursuant to ASIC Class Order 98/1418 (as amended by Class Orders 98/2017 and 00/0321) the wholly-owned Australian controlled entities listed in Note 20 footnote (a) are relieved from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of financial reports. These entities, which are also referred to in the Directors' declaration, are, together with the Company, all members of the 'Extended Closed Group' as defined under the Class Order and are parties to a Deed of Cross Guarantee dated 20 January 2006 which provides that the parties to the Deed will guarantee to each creditor payment in full of any debt of these entities on winding up of that entity.

A Statement of Comprehensive Income and Balance Sheet comprising the Company and those Australian controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee at 31 January 2017, are set out on the following page.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Group Structure continued

### 23. Deed of Cross Guarantee continued

#### (a) Statement of Comprehensive Income

	2017 \$'000	2016 \$'000
Sales revenue	4,366,208	3,461,104
Cost of goods sold	(4,076,662)	(3,197,750)
<b>Gross profit</b>	<b>289,546</b>	263,354
Other revenue	69,747	68,200
Warehousing and delivery expenses	(131,321)	(122,948)
Sales and marketing expenses	(70,666)	(59,598)
Administration expenses	(58,278)	(51,573)
Litigation settlement expense	(11,368)	-
Contingent consideration from prior year acquisitions	-	(7,784)
Depreciation and amortisation	(7,744)	(8,771)
Amortisation of other intangibles acquired on acquisition	-	(940)
<b>Profit before financing costs and tax expense (EBIT)</b>	<b>79,916</b>	79,940
Finance income	1,685	1,968
Finance costs	(6,014)	(5,391)
<b>Net finance costs</b>	<b>(4,329)</b>	(3,423)
Share of profit/(loss) of equity accounted investee (net of tax)	-	210
<b>Profit before income tax</b>	<b>75,587</b>	76,727
Income tax expense	(21,966)	(26,123)
<b>Profit for the year</b>	<b>53,621</b>	50,604
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change in fair value of financial asset	(192)	150
Exchange differences on translation of foreign operations	120	(41)
Income tax relating to components of other comprehensive income	22	(33)
<b>Other comprehensive income for the year (net of tax)</b>	<b>(50)</b>	76
<b>Total comprehensive income for the year</b>	<b>53,571</b>	50,680
<b>Summary of movements in consolidated accumulated losses</b>		
Accumulated losses at the beginning of the financial period	(692,461)	(698,302)
Profit for the year	53,621	50,604
Reclassification of settled and expired share-based transactions	2,172	9,658
Dividends	(59,334)	(54,421)
<b>Accumulated losses at the end of the financial period</b>	<b>(696,002)</b>	(692,461)

#### (b) Balance Sheet

	2017 \$'000	2016 \$'000
<b>Current assets</b>		
Cash and cash equivalents	17,841	12,905
Trade and other receivables	565,360	616,841
Inventories	322,000	288,626
Current tax asset	273	-
Prepayments	5,336	5,049
<b>Total current assets</b>	<b>910,810</b>	923,421
<b>Non-current assets</b>		
Trade and other receivables	3,459	9,185
Property, plant and equipment	77,723	58,340
Goodwill and other intangible assets	101,553	100,529
Other financial assets	1,458	650
Net deferred tax assets	14,871	9,773
<b>Total non-current assets</b>	<b>199,064</b>	178,477
<b>Total assets</b>	<b>1,109,874</b>	1,101,898
<b>Current liabilities</b>		
Bank overdraft	32,129	73,014
Trade and other payables	494,314	424,225
Income tax payable	-	12,721
Provisions	15,750	14,248
Deferred income	1,659	2,744
<b>Total current liabilities</b>	<b>543,852</b>	526,952
<b>Non-current liabilities</b>		
Other payables	426	295
Provisions	4,050	3,989
Deferred income	196	609
<b>Total non-current liabilities</b>	<b>4,672</b>	4,893
<b>Total liabilities</b>	<b>548,524</b>	531,845
<b>Net assets</b>	<b>561,350</b>	570,053
<b>Equity</b>		
Contributed equity	1,247,110	1,252,092
Reserves	10,242	10,422
Accumulated losses	(696,002)	(692,461)
<b>Total equity</b>	<b>561,350</b>	570,053

## Other Disclosures

This section provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements

24. Expenditure Commitments	27. Key Management Personnel Compensation
25. Auditor's Remuneration	28. Employee Share Plans and Share-based Payments
26. Guarantees	29. Notes to the Statement of Cash Flows
	30. Summary of Other Accounting Policies

### 24. Expenditure Commitments

#### Non-cancellable Operating Leases

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

	2017 \$'000	2016 \$'000
<b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b>		
Payable not later than one year	10,890	9,467
Payable later than one year but not later than five years	29,897	27,858
Payable later than five years	8,318	10,405
<b>Total non-cancellable operating lease payments</b>	<b>49,105</b>	47,730

#### Capital Expenditure Commitments

The Group has entered contracts for capital expenditure for which no amounts have been provided to the value of \$51,156,000 at 31 January 2017 (2016: \$2,675,000).

### 25. Auditor's Remuneration

During the year the auditors of Sigma Pharmaceuticals Limited earned the following remuneration:

	2017 \$'000	2016 \$'000
<b>Auditor of the parent entity – Deloitte Touche Tohmatsu</b>		
Audit and review of financial reports of the entity or any controlled entity	377,922	348,043
<b>Total remuneration</b>	<b>377,922</b>	348,043

### 26. Guarantees

	2017 \$'000	2016 \$'000
<b>Guarantees existed at the end of year in respect of:</b>		
Other guarantees	4,978	4,078
<b>Total guarantees</b>	<b>4,978</b>	4,078

### 27. Key Management Personnel Compensation

	2017 \$'000	2016 \$'000
<b>The aggregate compensation made to Key Management Personnel of the Group is set out below:</b>		
Short-term employee benefits	5,134,205	5,012,804
Post-employment benefits	157,012	339,915
Long-term benefits	86,343	57,110
Share-based payments	1,523,519	1,542,305
<b>Total</b>	<b>6,901,079</b>	6,952,134

Key management personnel and detailed remuneration disclosures are provided in the Remuneration Report on pages 4 to 21. Disclosures relating to related party transactions with Directors or Key Management Personnel are set out in Note 21.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Other Disclosures continued

### 28. Employee Share Plans and Share-based Payments

#### Expenses Arising From Share-based Payment Transactions

Expenses arising from share-based payment transactions attributable to employees recognised during the period were as follows:

	2017 \$'000	2016 \$'000
<b>Share-based payment expense:</b>		
Performance rights issued under the Executive STI Plan	88	235
Shares issued under the Loan Funded Share Plan	2,373	1,992
Sign-on performance rights	115	86
<b>Total</b>	<b>2,576</b>	2,313

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

#### Employee Share Plan

The Company's Employee Share Plan periodically offers ordinary shares to all full or part time employees of the Group. The ordinary shares issued under the Plan rank equally with all other fully paid ordinary shares on issue. Interest-free loans are offered to acquire the shares. The price at which shares are issued is determined by the weighted average price of ordinary shares over the five trading days prior to and including the date of issue of shares. The Employee Share Plan is administered by Sigma Employee Share Administration Pty Ltd, a controlled entity. At balance date, 13,309,669 shares are on issue.

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

#### Sigma Employee and Senior Executive Share Plans

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

#### Share-based Payments

##### Executive Short Term Incentive Performance Plan

Prior to and including the year ended 31 January 2015, the structure of the Executive STI Plan included a combination of cash payment and deferred equity reward. If the STI hurdle requirements (based on NPAT) were satisfied, 40% of the STI awarded was delivered by performance rights deferred for one and two years (50% per year) subject to service and forfeiture conditions. The grant price was based on the weighted average price at which the Company shares are traded on the Australian Securities Exchange over the last five trading days prior to and including the date of the grant.

From the year ended 31 January 2016, the structure of the Executive STI Plan changed from a combination of cash payment and deferred equity reward to 100% cash payment. The table below summarises the movement in the number of performance rights granted under the STI Plan over the year ended 31 January 2017.

	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Forfeited During the Year	Balance at End of the Year
<b>2017</b>					
Number of outstanding performance rights	365,018	-	365,018	-	-
<b>2016</b>					
Number of outstanding performance rights	766,214	-	401,196	-	365,018

### Executive Loan Funded Share Plan

Commencing the year ending 31 January 2012, the Company implemented a Loan Funded Share Plan for Executives and senior employees. Participants are provided an interest-free limited recourse loan to purchase shares in the Company if pre-defined vesting conditions are met three years from grant date. Details of the LTI Plan are set out on pages 11 to 12 of the Remuneration Report.

The first parcel of loan funded shares was granted to the participants on 28 June 2011. The exercise price is based on the market price of shares in the Company on the date of the grant. The table below summarises the movement in the number of loan funded shares granted under the LTI Plan over the year ended 31 January 2017.

	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Forfeited During the Year	Balance at End of the Year
<b>2017</b>					
Number of outstanding loan funded shares	63,296,151	14,481,204	19,373,944	1,437,465	56,965,946
Weighted average exercise price	\$0.66	\$0.84	\$0.58	\$0.73	\$0.74
<b>2016</b>					
Number of outstanding loan funded shares	50,666,931	20,192,590	4,327,271	3,236,099	63,296,151
Weighted average exercise price	\$0.60	\$0.81	\$0.56	\$0.67	\$0.66

### Other Equity Plan

#### Sign-on Performance Rights Granted to General Manager, Sales

Upon commencement, the General Manager, Sales was awarded an equity sign-on bonus in the form of performance rights. Provided the Executive remains employed by the Company, 100% of the performance rights vest on 4 May 2017.

	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Forfeited During the Year	Balance at End of the Year
<b>2017</b>					
Number of outstanding loan funded shares	294,118	-	-	-	294,118
<b>2016</b>					
Number of outstanding loan funded shares	-	294,118	-	-	294,118

#### Fair Value of Options Granted

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

The fair value produced by the model and the inputs into the model for the share options granted during the year and unexercised are set out in the following table.

	Loan Funded Shares	Loan Funded Shares
Grant date	1 February 2016	1 February 2016
Fair value	ROIC \$0.24	TSR \$0.17
<b>Inputs into the model:</b>		
Grant date share price	\$0.835	\$0.835
Exercise price	\$0.835	\$0.835
Expected volatility	30%	30%
Vesting life	3 years	3 years
Option life	5 years	5 years
Expected dividend yield	5.5%	5.5%
Risk-free interest rate	2.09%	2.09%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the year ended 31 January 2017

## Other Disclosures continued

### 29. Notes to the Statement of Cash Flows

#### Reconciliation of Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and highly liquid investments and notes with maturity of three months or less when purchased. Cash as shown in the Consolidated Statement of Cash Flows is reconciled to the related items in the Consolidated Balance Sheet as follows:

	2017 \$'000	2016 \$'000
<b>Cash and cash equivalents:</b>		
Cash and bank balances	24,403	17,407
Bank overdraft	(32,129)	(73,014)
<b>Total</b>	<b>(7,726)</b>	<b>(55,607)</b>

#### Reconciliation of Profit for the Year to Net Cash Flows From Operating Activities

	2017 \$'000	2016 \$'000
Profit for the year	53,506	50,415
Depreciation expense	5,601	5,475
Amortisation expense	2,686	4,492
Share-based payments expense	2,576	2,313
Loss on sale of property, plant and equipment	245	7
Share of profit of equity accounted investee, net of tax	-	(210)
<i>Change in assets and liabilities:</i>		
Change in inventories	(31,504)	(37,242)
Change in net taxes receivable	(18,150)	(2,082)
Change in prepayments	(340)	(803)
Change in trade and other receivables	59,769	(32,305)
Change in trade payables	65,650	32,647
Change in provisions	1,413	1,060
Change in other payables and deferred income	4,317	8,384
<b>Net cash flows from operating activities</b>	<b>145,769</b>	<b>32,151</b>

### 30. Summary of Other Accounting Policies

#### New Accounting Standards and Interpretations

The new standards and amendments to standards that are mandatory for the first time in annual reporting periods on or before 1 February 2016 did not affect any amounts recognised in the current or prior years and are not likely to materially affect amounts in future periods.

#### Standards Issued But Not Yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 February 2016 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. The Groups assessment of the impact of these standards and interpretations is set out in the following table.

Title	Nature of Change and Summary of Impact	Mandatory and Anticipated Date of Application
AASB 9 <i>Financial Instruments</i>	Addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting.	1 February 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	Potential change of classification and measurement of financial assets and liabilities and impact on hedge accounting. The extent of the impact has not been determined.	1 February 2018
AASB 16 <i>Leases</i>	Replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised. The potential effect of this standard is yet to be determined.	1 February 2019
	Provides a new model for accounting for leases. Early adoption is permitted under certain circumstances. The potential effect of this standard is yet to be determined.	

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

### **Community Service Obligation (CSO)**

Community Service Obligation is an arrangement whereby the government provides a pool of funding which is available to qualifying wholesalers to provide services that would not otherwise be provided by that organisation in the pursuit of its other objectives. In the Group's case this requirement is around minimum delivery obligations Australia wide. The government provides income to the Group to compensate for the higher expenditure incurred to meet these minimum delivery obligations. Revenue from CSO is recognised when the consolidated entity has complied with the conditions attached to the obligation and has reasonable assurance that the income will be received.

### **Customer Loyalty Program**

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

# DIRECTORS' DECLARATION

For the year ended 31 January 2017

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

- (a) the financial statements and notes, set out on pages 23 to 53, are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 31 January 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards, the Corporate Regulations 2001, and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

There are reasonable grounds to believe that the Company and the controlled entities identified in Note 20 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those controlled entities pursuant to ASIC Class Order 98/1418.

About this Report in the Notes to the Consolidated Financial Statements confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer for the year ended 31 January 2017 pursuant to Section 295A of the *Corporations Act 2001*.

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

For and on behalf of the Board.



**Brian Jamieson**  
Chairman  
Melbourne,  
22 March 2017



**Mark Hooper**  
CEO & Managing Director

# INDEPENDENT AUDITOR'S REPORT



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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Sigma Pharmaceuticals Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 31 January 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 23 to 54.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 31 January 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to directors of the Company, would be in the same terms if given to directors as at the time of this auditor's report.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Recoverability of trade receivables</b>  <i>Refer to note 8 in the financial report</i></p> <p>The Group has a material trade debtors balance made up of a significant number of individual pharmacies and groups of pharmacies under common ownership.</p> <p>The recoverability of trade debtors is a key audit matter due to:</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process undertaken by management to identify individual trade debtor balances that are potentially unrecoverable</li> <li>• Reviewing the Group's credit committee meeting minutes and monthly reports, to identify potential individual doubtful or 'at risk' balances</li> <li>• Understanding the composition of pharmacy groups included within trade debtors</li> </ul>

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 Member of Deloitte Touche Tohmatsu Limited



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<ul style="list-style-type: none"> <li>• The inherent subjectivity involved by management in making judgements in relation to credit risk exposures of these individual pharmacies and pharmacy groups; and</li> <li>• Material loss recognised in the current year in relation to a single pharmacy group.</li> </ul>	<ul style="list-style-type: none"> <li>• Challenging management's view of credit risk and recoverability for pharmacy groups by:                             <ul style="list-style-type: none"> <li>◦ Assessing the completeness of management's identified overdue and 'at risk' debtors by considering historical payments, outstanding balances, receipt of payment subsequent to year end and key assumptions regarding debtors financial position</li> <li>◦ Assessing the adequacy of the provision against the identified population of overdue and 'at risk' trade debtors</li> <li>◦ Obtaining information in regards to material provisions raised during the period. This includes review of legal documentation and correspondence with third parties; and</li> <li>◦ Assessing the historic accuracy of the provision for doubtful debtors against subsequent trade debtor write-offs</li> </ul> </li> <li>• Assessing Sigma's disclosures of the quantitative and qualitative considerations in relation to credit risk.</li> </ul>
<p><b>Assessment of the recovery of goodwill</b>  <i>Refer to note 12 in the financial report</i></p> <p>The recovery of goodwill is a key audit matter due to the high level of judgement in determining assumptions and estimates involved in preparing a discounted cash flow model ('value in use'), including:</p> <ul style="list-style-type: none"> <li>• Future cash flows for each Cash Generating Unit ('CGU')</li> <li>• Discount rates</li> <li>• Terminal value growth rates</li> </ul> <p>Changes to these assumptions can materially impact the valuation determined for each CGU.</p> <p>We focussed specifically on the key assumptions in regards to the CHS and NostraData CGU's, being recent acquisitions.</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Assessed the determination of the groups CGU's based on our understanding of the nature of the group's businesses and how earnings of the businesses are managed and monitored</li> <li>• Obtaining an understanding of the process undertaken by management to prepare the value in use model for each CGU to identify and test the key internal controls, including the preparation, review and board approval of forecasts supporting this process</li> <li>• Together with our valuation specialists we evaluated and tested the key assumptions used in management's recoverable amount analysis including:                             <ul style="list-style-type: none"> <li>◦ Assessing the basis for management's forecast revenue, EBITDA, cash flows and terminal value growth assumptions including consideration of historical growth trends and external information available via IBIS market research reports</li> <li>◦ Assessing the historical accuracy of forecasting of the Group's operating results</li> <li>◦ Recalculating an expected discount rate and comparing this to the rate calculated by management</li> <li>◦ Performing sensitivity analysis on the impairment model using varied discount rates and growth projections to simulate alternative market conditions and outcomes</li> </ul> </li> <li>• Assessing the adequacy of the financial statements disclosures</li> </ul>
<p><b>Provision for inventory obsolescence</b>  <i>Refer to note 9 in the financial report</i></p> <p>The group's pharmaceutical inventories are subject to strict expiration dates. The effects of customer demands and purchasing decisions impacts on stock quantities and the risk that stock on hand may not be able to be sold by the relevant expiry dates.</p> <p>In addition, there are judgements required to evaluate whether non-pharmaceutical inventories are held at the lower of cost or net realisable value (sale price), taking into account expected promotions</p>	<p>Our procedures included amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of management's process for recording and managing inventory (including the process to identify and monitor expiry dates and potential obsolete and slow inventory) to identify and test key controls supporting the process</li> <li>• Reviewing supplier arrangements to establish which counterparty assumes the obsolescence risk</li> <li>• Testing the accuracy of inventory aging reports which forms the basis of the inventory obsolescence provision</li> <li>• Challenge managements view on inventory provisioning levels by:                             <ul style="list-style-type: none"> <li>◦ Assessing the adequacy of the provision for obsolete and slow inventory recorded in previous periods against subsequent write-offs; and</li> </ul> </li> </ul>

DIRECTORS' DECLARATION  
INDEPENDENT AUDITORS' REPORT





Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
The provision for inventory obsolescence is a key audit matter due to the level of judgment required by management to determine the net realisable value.	<ul style="list-style-type: none"> <li>○ Recalculating the inventory provision based on the Group's provision methodology</li> <li>• Assessing the adequacy of the disclosures.</li> </ul>

### Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report and the annual review which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and accordingly we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual review if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

### Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group to cease operations, or has no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Remuneration Report

#### Opinion on the Remuneration Report

We have audited the Remuneration Report of Sigma Pharmaceuticals Limited included in pages 4 to 21 of the director's report for the year ended 31 January 2017.

In our opinion, the Remuneration Report of Sigma Pharmaceuticals Limited, for the year ended 31 January 2017, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

DELOITTE TOUCHE TOHMATSU

Tom Imbesi  
Partner  
Chartered Accountants  
Melbourne, 22 March 2017

# SHAREHOLDER INFORMATION

## Equity Security Holders

As at 9 March 2017, the Company has 1,075,238,394 ordinary shares on issue. Further details of the Company's equity securities are as follows:

### Largest Holders

The following table shows the 20 largest registered shareholders as at 9 March 2017 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	236,932,699	22.04%
JP Morgan Nominees Australia Limited	162,311,920	15.10%
Citicorp Nominees Pty Limited	130,613,465	12.15%
National Nominees Limited	73,081,523	6.80%
HSBC Custody Nominees (Australia) Limited <NT-Comnwlth Super Corp A/C>	19,681,265	1.83%
BNP Paribas Nominees Pty Ltd <Agency Lending DR A/C>	19,655,268	1.83%
BNP Paribas Noms Pty Ltd <DRP>	15,548,381	1.45%
Sigma Employee Share Admin P/L <Holding A/C>	15,001,166	1.40%
BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	14,659,000	1.36%
Mr Mark Robert Hooper	7,664,946	0.71%
RBC Investor Services Australia Nominees Pty Limited <BKCUST A/C>	5,071,624	0.47%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	3,185,415	0.30%
AMP Life Limited	2,740,974	0.25%
Sandhurst Trustees Ltd <Harper Bernays Lyd A/C>	2,202,700	0.20%
HSBC Custody Nominees (Australia) Limited	2,090,413	0.19%
Seymour Group Pty Ltd	2,000,000	0.19%
Jeffrey Sells	1,991,277	0.19%
Merrill Lynch (Australia) Nominees Pty Limited	1,826,232	0.17%
Nabru Nominees Pty Limited <Nabru Nominees P/L S/F A/C>	1,798,995	0.17%
CS Fourth Nominees Pty Limited <HSBC Cust Nom AU Ltd 11 A/C>	1,616,159	0.15%
<b>Total top 20 holders</b>	<b>719,673,422</b>	<b>66.93%</b>
<b>Total other holders</b>	<b>355,564,972</b>	<b>33.07%</b>
<b>Grand total</b>	<b>1,075,238,394</b>	<b>100.00%</b>

Note: Excludes shares that are subject to trading restrictions.

## Substantial Shareholders

The following table shows the substantial holders as notified to the Company in substantial holding notices as at 9 March 2017:

Names	Noted Date of Change	Number of Equity Securities	Voting Power
Allan Gray Australia Pty Ltd	11 October 2016	78,111,515	7.24%
Vinva Investment Management	13 December 2016	69,800,211	6.46%

## Distribution of Equity Securities

### Holdings Distribution

Range	Number of Holders
100,001 and over	440
50,001 to 100,000	576
10,001 to 50,000	4,606
5,001 to 10,000	3,299
1,001 to 5,000	7,144
1 to 1,000	1,766
<b>Total</b>	<b>17,831</b>
Unmarketable parcels	390

## SHAREHOLDER INFORMATION CONTINUED

### Voting Rights

The voting rights attaching to each class of equity securities are set out as below:

#### Ordinary Shares

Holders of ordinary shares have the right to vote at every general meeting of the Company and at separate meetings of holders of ordinary shares. At a general or separate meeting, every holder of ordinary shares present in person or by proxy has, on poll, one vote for each ordinary share held.

#### Performance Rights

Performance rights were historically issued to employees as part of the Executive Short Term Incentive Plan. This ceased in the year ending 31 January 2016 and the last of the shares issued under the plan were exercised during the year. Refer to Note 28.

Performance rights were awarded to the General Manager, Sales as an equity sign on bonus, refer to Note 28 for details. Provided the Executive remains employed by the Company:

- 100% of the performance rights vest on 4 May 2017.
- The maximum number of ordinary shares which may be issued if the performance conditions are achieved is 294,118.
- No voting rights are attached to the rights.
- Number of employees participating is one (2016: one).

# FIVE YEAR SUMMARY

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
<b>Operating results</b>					
Sales revenue	4,366.2	3,461.1	3,142.1	2,973.5	2,942.4
EBITDA	89.2	90.3	85.6	76.6	28.8
EBIT	81.0	80.4	78.0	70.3	23.1
Profit/(loss) before tax	76.7	76.8	75.6	68.3	24.9
Profit/(loss) after tax	53.5	50.5	52.8	53.5	18.7
<b>Financial position</b>					
Working capital	387.1	490.4	455.6	416.8	436.1
Fixed assets (including intangibles)	180.6	160.1	156.0	75.4	87.8
Other assets and liabilities	(20.4)	(40.2)	(72.2)	19.1	4.2
Capital employed	547.3	610.3	539.4	511.3	528.1
Net debt/(net cash)	8.7	56.6	(33.7)	(67.5)	(82.7)
Net assets	538.6	553.7	573.0	578.8	610.8
<b>Shareholder related</b>					
Dividend					
- ordinary per share	5.5¢	5.0¢	2.0¢	4.0¢	4.0¢
- special per share	-	-	1.0¢	-	-
- total dividends	59.2	54.0	32.8	44.9	47.0
Earnings/(loss) per share	5.4¢	5.0¢	5.1¢	4.9¢	1.6¢
Dividend payout ratio	111%	107%	62%	84%	251%
Net tangible asset backing per share	41¢	42¢	43¢	50¢	51¢
Market capitalisation (year-end)	1,302	885	875	672	773
<b>Ratio and returns</b>					
EBIT margin <sup>1</sup>	1.9%	2.3%	2.5%	2.4%	0.8%
Gearing <sup>2</sup>	1.6%	9.3%	n/a	n/a	n/a
Interest cover <sup>3,4</sup>	20.8x	26.0x	34.8x	38.7x	n/a

1. EBIT/sales revenue.

2. Net debt/capital employed (year-end). The Group had cash and cash equivalents over and above total debt.

3. Reported EBITDA/net financing costs (times).

4. As at 31 January 2013, the Group had positive net financing income.

# CONTACTS

## Company Details

Sigma Pharmaceuticals Limited

Registered Office

3 Myer Place

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[www.sigmaco.com.au](http://www.sigmaco.com.au)

## Corporate Head Office

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**Tel** +61 (0)3 9215 9215

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## Directors and Senior Management

Refer to pages 18 to 21

of this review or visit

[www.sigmaco.com.au](http://www.sigmaco.com.au)

## Company Secretary

**Sam Lawson**

General Counsel and

Company Secretary

3 Myer Place

Rowville VIC 3178 Australia

## Auditors

Deloitte Touche Tohmatsu

## Share Registry Details

Link Market Services

Locked Bag A14

Sydney South

NSW 1235 Australia

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**Tel** (international) +61 (0)2 8280 7111

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## Healthcare Offices

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10 Hugh Edwards Drive

Perth Airport WA 6105 Australia

## PharmaSave Office

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South Melbourne

VIC 3205 Australia

**Tel** +61 (0)3 9981 1200

## Discount Drug Stores Office

56-58 Jephson Street

Toowong QLD 4066 Australia

**Tel** +61 (0)7 3720 5500

## Recent Dividends

Dividend	Date Paid	Cents Per Share
2017 Final	21 April 2017	3.00
2017 Interim	3 October 2016	2.50
2016 Final	21 April 2016	3.00
2016 Interim	7 October 2015	2.00
2015 Special	16 April 2015	1.00
2015 Final	16 April 2015	2.00
2015 Interim	-	- #

# Due to insufficient franking credits, no 2015 interim dividend was paid.

## Shareholder Calendar\*

2016/17 AGM	3 May 2017
Half-year results	7 September 2017
Ex-dividend	19 September 2017
Record date	20 September 2017
Interim dividend payment	5 October 2017
Full-year results	22 March 2018
Ex-dividend	5 April 2018
Record date	6 April 2018
Final dividend payment	20 April 2018
2017/18 AGM	16 May 2018

\* Dates may be subject to change.



**For investor, media or government enquiries in relation to Sigma**

**Gary Woodford**

Corporate Affairs Manager

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