



Future focused healthcare

Annual Report 2018/19





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Corporate Governance, Environmental and Social Statements

Sigma Healthcare Limited (the Company) and its controlled entities (the Group) is committed to delivering high quality health care services, long-term sustainable growth and shareholder returns. The Board recognises the importance of governance, environmental and social matters to our shareholders, suppliers and customers.

1. Corporate Governance Statement

The Directors and management of the Group are committed to ensuring that the Group's business is conducted in accordance with high standards of corporate governance. The board believes that, except where otherwise stated:

- The Group's policies and practices comply in all material respects with the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles and Recommendations); and
- During the year ended 31 January 2019 it has been compliant with the ASX Principles and Recommendations.

This Corporate governance statement was approved by the Board of Directors and is current as at 20 March 2019.

A checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement is provided at the end of this Corporate governance, environmental and social statements.

2. Our Board

(a) Role

The Board is primarily responsible for setting the strategic direction and corporate governance of the Sigma Group. The Board has adopted a Board Charter (published on the Company's website) which sets out the responsibilities of the Board and its structure and governance requirements. Under the Board Charter, the Board has the following responsibilities:

- overseeing the management of Sigma;
- reviewing and approving management's business plans and strategic opportunities;
- succession planning;
- appointment and annual evaluation of the CEO and Managing Director;
- establishing strategic goals for management;
- identifying the principal risks and overseeing appropriate control and management systems for them; and
- monitoring Sigma's performance with the aim of maximising long-term returns to Sigma security holders at an acceptable level of risk.

Subject to the specific authorities reserved to the Board under the Board Charter, and the authorities delegated to the Board committees, the Board has delegated to the CEO responsibility for the management and operation of the Sigma Group. The CEO is responsible for the day-to-day operations, financial performance and administration of the Sigma Group within the powers authorised to him from time to time by the Board. The CEO may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Sigma website.

(b) Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees on governance matters, monitoring and ensuring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

(c) Board Composition

The Board currently consists of one Executive and six Non-Executive Directors, including the Chairman.

The Constitution authorises the Board to appoint Directors to vacancies and to elect the Chair. One third of Directors (excluding the CEO and a Director appointed to fill a casual vacancy and rounded down to the nearest whole number) must retire at every annual general meeting. Other than the CEO, no Director may remain in office for more than three years without resigning and standing for re-election. Any Director appointed by the Board must stand for election at the next annual general meeting of security holders.

Board support for directors retiring and seeking re-election is not automatic. Prior to each AGM, the Board determines whether it will recommend to security holders that they vote in favour of the re-election of each Non-Executive Director seeking election on a rotational basis with the Other Directors. Sigma provides security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Non-Executive Director in the AGM notice of meeting.

(d) Board Skills and Experience

The Board is committed to ensuring that directors have a collective mix of skills, experience, expertise and diversity aligned with the Company's strategic direction. The Board also strives to retain a balance between long serving directors with established experience and knowledge of the Company's business and history, and new directors who bring different insights and fresh perspectives.

Corporate Governance, Environmental and Social Statements continued

2. Our Board continued

(d) Board Skills and Experience continued

The Board members have a broad and diverse range of skills and experience across a number of business areas. The Board identifies the key skills and experience required for the effective management of the business, including those required in the future. These key attributes are critical inputs to the Board review, development and succession planning processes.

The key Board skills and experience are detailed below.

Skills

Leadership	Driving engagement and enablement, leading organisational change
Risk management	Risk frameworks, setting risk appetite, building and adapting organisational risk culture
Remuneration	Executive incentive arrangements, performance targets, and superannuation
Governance and compliance	Group wide governance and compliance systems, processes and frameworks
Health and safety	Driving proactive health and safety initiatives and programs
Government relations/policy	Interaction with government and regulators and involvement in public policy decisions
Financial expertise	Accounting, financial reporting, corporate finance, financial internal controls, financial and capital management strategies
Corporate strategy	Setting and reviewing organisational strategy, organic growth and merger and acquisition opportunities

Experience

Healthcare and pharmaceutical industry	Relevant experience from within the Company's primary industry and with the compliance, decision-making structures and operational disciplines of such highly regulated industries
Retail and wholesale	Experience within the Company's core operational disciplines
Franchising, small and medium enterprises	Knowledge of franchising regulations and small business operations and challenges
Logistics	Large scale and time critical logistics, automation technology

ASX	Listed company leadership experience at Executive and Board level
Business transformation	Involvement in transformational, continuous improvement and innovative projects
Information technology	IT strategies and networks, latest innovations in data storage and security
Customer data and insights	Driving strategic insights from the collection and analysis of customer data

(e) Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Sigma Group. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review. The People and Remuneration Committee review the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist. Generally, a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. External advisors may be employed where necessary to search for prospective board members.

Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position. Appropriate background and other checks are undertaken before the People and Remuneration Committee will then recommend the most appropriate candidate(s) for consideration by the Board as a whole.

(f) Induction of New Directors and Ongoing Development

New Non-Executive Directors are issued with a formal letter of appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged and the Board's expectations regarding involvement with Committee work.

An induction program is in place and Non-Executive directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

(g) Independence of Directors

As required under the Board Charter, the majority of the Board, including the Chairman, are independent Directors. Directors must notify Sigma about any conflict of interest, potential material relationship with Sigma or circumstance relevant to his/her independence.

Sigma has adopted a definition of 'independence' for Directors that is consistent with the ASX Principles and Recommendations. Applying this definition, Mr Manuel (as a practising pharmacist and a customer of Sigma) is not considered independent. The Board values the insight and advice provided by Mr Manuel. In addition to being a skilled Board member, as an owner of multiple pharmacies he brings firsthand experience and insights that contribute greatly to the Board. The Board considers that the materiality of his relationship is such that it does not interfere with his capacity to bring an independent judgement on issues before the Board and to act in the best interests of Sigma and its security holders generally.

It has also considered the length of tenure of Mr Jamieson and Mr Bayes, and it considers Mr Jamieson and Mr Bayes have a deep understanding of the business and their relationships are sufficiently removed from management to be considered independent.

All other Non-Executive Directors are considered by the Board to be independent, meaning that each one is generally free from any management role, or business interest or other relationship that could materially interfere with the Director's ability to act in the best interests of the Sigma Group as a whole.

Only those transactions permitted by Sigma's Constitution and the Corporations Act are conducted with Directors or their related parties. These are on the same commercial terms and conditions applying to any other external party, supplier or customer. Directors are required to disclose in writing any related party transactions. Related party transactions are set out in the notes to Sigma's financial report.

On a regular basis, Non-Executive Directors meet without the CEO and Managing Director or other members of management being present, to ensure that the Non-Executive Directors maintain independence of thought and judgement.

The Non-Executive Directors also meet independently with the external auditors at least twice a year. Directors have a right of access to all Company information and executives.

(h) Conflict of Interest

Directors are also required to identify any conflict of interest they may have in dealing with Sigma's affairs and subsequently to refrain from participating in any discussion or voting on those matters. If a potential conflict of interest is likely to arise, the Director concerned does not receive copies of the relevant Board papers and withdraws from the Board meeting while those matters are considered. Accordingly, the Director concerned takes no part in discussion nor exercises any influence over other members of the Board if a potential conflict of interest exists.

(i) Access to Information and Independent Advice

Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Sigma's expense.

(j) Board Performance

On an annual basis the Board conducts a review of its structure, composition and performance. A performance evaluation was undertaken during the reporting period in accordance with that process. On a regular basis the Board undertakes a formal, independent performance review.

(k) Directors' Fees and Remuneration

The details of remuneration paid to each director during the financial year and the principles behind the setting of such remuneration are included in the Remuneration Report.

(l) Shareholdings of Directors

Directors' shareholdings are detailed in the Directors' Report and are updated by notification to the ASX. The rules and procedures governing the dealing in securities by Directors is set out in the Group's Share Trading Policy as noted further below.

To align the interests of Non-Executive Directors with shareholders 25% of each Non-Executive Director's post-tax fees are used to purchase Sigma shares on market every three months. Further details of our remuneration strategy and principles are outlined in the Remuneration Report.

3. Board Committees

The Board has two standing committees (the Committees) to facilitate and assist the Board in fulfilling its responsibilities. Other committees may be established from time to time with specific responsibilities as delegated by the Board. The Committees are governed by Charters, which detail their specific functions and responsibilities. The Charter for each Committee is reviewed by the Board periodically. Copies of the Committee Charters are available on the Company's website at <http://investorcentre.sigmahealthcare.com.au/corporate-governance/governance-documents> under 'Committee Charters'. The Group does not have a specified separate nomination committee, the responsibilities normally associated with a nominations committee are performed by the People and Remuneration Committee as outlined below and in its Charter.

The Committees make recommendations to the Board. They have no decision-making power except where expressly authorised by the Board. The relevant qualifications and experience of individual Committee members are set out in the Directors' Report.

Corporate Governance, Environmental and Social Statements continued

3. Board Committees continued

The Board Charter provides for the Board to review and evaluate the performance objectives, responsibilities, and processes and procedures of each Committee on an annual basis in accordance with such performance measures as may be adopted from time to time. The Charter of each Committee also requires the Committee to review and assess its performance, objectives, responsibilities, and processes and procedures each year to ensure that they are not unduly complex, are designed to assist the Board in effectively fulfilling its role and are delivering to a high standard.

The attendance and composition of the Committees as at, and throughout the financial year ended 31 January 2019, is summarised in the Directors' Report.

(a) Risk Management and Audit Committee (RMAC)

The RMAC comprises Mr Ray Gunston (Chairman), Mr David Bayes and Ms Kathryn Spargo, who are all independent Non-Executive Directors with relevant financial, commercial and risk management experience, including an independent chair who is not the chair of the board. The RMAC has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

In accordance with its Charter, its main responsibility is to advise and assist the Board on the establishment and maintenance of a risk management framework, internal controls and standards for the management of the Sigma Group and to monitor the quality and reliability of the financial information of the Sigma Group. The RMAC reviews the Sigma Group's risk management framework annually, and it has reviewed the risk management framework during the reporting period in accordance with this policy.

The RMAC recommends the appointment, removal and remuneration of the external auditors. It also reviews the activities and organisational structure of the internal audit function. Prior approval of the RMAC must be gained for non-audit services to be performed by the external auditor. There are specified qualitative limits on non-audit services to ensure that the independence of the auditor is maintained. There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

(b) People and Remuneration Committee

The People and Remuneration Committee comprises Mr David Bayes (Chairman), Mr Ray Gunston, Mr David Manuel and Ms Christine Bartlett who are all Non-Executive Directors. In accordance with its Charter (a copy of which can be found on the Sigma Website) the Committee's main responsibilities is to advise the Board on remuneration policies and practices, assess the necessary and desirable competencies of Board members, evaluate Board performance, review Board and management succession plans and to make specific recommendations on remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

The People and Remuneration Committee is primarily responsible for providing recommendations to the Board with regard to the remuneration strategy, policies and practices applicable to Non-Executive Directors, the CEO, and Senior Executives. Further details of the responsibilities and activities of the People and Remuneration Committee, remuneration policies and structures, details of remuneration and retirement benefits paid to Directors are set out in the Remuneration Report.

4. Executive Performance and Remuneration

Sigma's Remuneration Policy was designed to recognise the competitive environment within which Sigma operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Sigma's performance.

The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Sigma. The key principles are to:

- attract, retain, motivate and reward high calibre talent;
- ensure remuneration principles are applied fairly and consistently across the business;
- foster a partnership between employees and shareholders through employee ownership of Company shares;
- drive community and customer interests by ensuring rewards are only paid where outcomes have been achieved in the interests of the community and customers; and
- link reward to delivery of the Company's financial and strategic goals which deliver value for shareholders.

In accordance with the policy, evaluation of senior executive performance and remuneration is undertaken by the CEO on an annual basis.

Evaluation of the CEO's performance and remuneration is undertaken by the People and Remuneration Committee and Board on an annual basis.

Performance reviews for the CEO and other Senior Executives were conducted during the reporting period in accordance with the process described above.

Further details on key management personnel (KMP) remuneration, including equity-based remuneration, are disclosed in the Remuneration Report. The rules regarding trading in Sigma's shares are set out within the Share Trading Policy, which can be found on the Sigma website.

5. Integrity of Reporting

The Group has put in place controls designed to ensure the integrity of its financial reporting and that the Group complies with all regulatory requirements relevant to its reporting.

(a) Financial Control

The Board, advised by the RMAC, is responsible for the Company's overall system of internal financial control.

The Board has received certifications from the CEO and CFO in connection with the financial statements for the Sigma Group for the reporting period. The certifications provide a declaration, in accordance with Section 295A of the Corporations Act, as to the integrity of the financial statements and confirm that opinions are founded on a sound system of risk management and internal control which is operating effectively.

(b) External Auditor

The Board has established a framework for the relationship between the Company and the external auditor, which ensures that:

- recommendations made by the external auditor and other independent advisers are critically evaluated and, where appropriate, applied;
- the ability of the external auditors to carry out their statutory audit is in no way impaired;
- consideration is given to what, if any, services other than their statutory audit role may be provided by the auditors;
- any other services provided by the auditors, other than their statutory audit role, are approved and monitored; and
- the Company has defined policies and procedures in place as appropriate internal controls to manage risk effectively.

The external auditor is invited to attend the annual meeting of the Company to answer questions from shareholders in relation to the audit.

(c) Internal Audit Function

The Internal Auditors provide independent and objective assurance on the adequacy and effectiveness of Sigma's systems for internal control. Sigma has a co-sourced internal audit function. Sigma uses external service providers, supplemented by an internal team to deliver the internal audit service. The external service provider is Ernst and Young.

6. Corporate Governance Policies

The Company has adopted the following policies, each of which has been prepared having regard to the ASX Principles and Recommendations which are available on the Company's website at <http://investorcentre.sigmahealthcare.com.au/corporate-governance/governance-documents> under 'Governance Documents'.

The Board regularly reviews the performance and effectiveness of the Company's corporate governance policies and procedures and, if appropriate, amends those policies and procedures or adopts new policies or procedures, to uphold the integrity of the Company's corporate governance framework.

(a) Code of Conduct

The Company expects its directors, officers and employees to conduct themselves in accordance with the highest ethical standards of corporate and individual behaviour. The Company's Code of Ethics is designed to set out the practices which are necessary to maintain confidence in the Company's integrity. Directors, officers and employees are required to comply with both the spirit and letter of all laws which apply to the Company and the principles of the code.

The Company requires all directors, officers and employees who become aware of an actual or suspected violation of the code to report to a nominated reporting person. This process allows for confidential reporting of any potential violation without disadvantage to the employee.

(b) Diversity Policy

The Company has adopted a Diversity Policy, which establishes measurable targets with the aim of achieving gender balance. Diversity is reported below under 'Diversity'.

(c) Continuous Disclosure and Shareholder Communications Policy

The policy outlines a set of procedures and guidelines to ensure the Group complies with its disclosure obligations in accordance with all applicable legal and regulatory requirements, including ASX Listing Rules. Subject to recognised exceptions, this ensures the timely disclosure to the ASX of any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Corporate Governance, Environmental and Social Statements continued

6. Corporate governance policies continued

(c) Continuous Disclosure and Shareholder Communications Policy continued

The policy also documents the Group's approach and commitment to effective communication with shareholders. Sigma has a comprehensive security holder engagement program which includes briefings, presentations and events. The program includes scheduled and ad-hoc briefings with institutional and private investors, the Australian Shareholders Association, analysts and the financial media and aims to provide and facilitate effective two-way communication with Sigma's investors. Security holders may elect to, and are encouraged to, receive communications from Sigma and Sigma's securities registry electronically.

(d) Share Trading Policy

The policy applies to directors, employees and contractors wishing to participate as shareholders in the Company. Under Australian legislation, the insider trading laws operate to prohibit people in possession of non-public price sensitive information from dealing in securities or passing on that information to other people who may deal in securities. The Company's policy is designed to protect directors, employees and their associates, as well as the Company's shareholders against acts of insider trading that, either willingly or unknowingly, would disadvantage holders of the Company's securities.

The policy employs the use of blackout periods to restrict directors, officers, senior executives, and their associates, together with other persons identified by the Company from time to time, from trading during times where sensitive, non-public information may be held. In addition, those persons must notify the Company in advance of any proposed dealing in the Company's securities.

Under the terms of the policy, directors, officers, senior executives and their associates are prohibited from entering into hedging transactions which operate to limit the economic risk of their securities in the Company (including under any employee share scheme or equity-based remuneration scheme) and are prohibited from entering margin loan arrangements to fund the acquisition of Sigma Shares or in relation to which Sigma Shares may be used as security against loan repayment.

(e) Whistleblower Policy

Sigma is committed to maintaining high standards of openness, governance and accountability. We want to create an environment where people feel safe to report any wrongdoing without fear of reprisal. We expect that most allegations of misconduct or wrongdoing will be reported via internal channels (supervisor/manager) or outside reporting lines, if necessary. Alternatively, we recognise that there will be occasions when people would rather make an anonymous disclosure. Sigma has therefore appointed an external provider to receive allegations of wrongdoing pursuant to Sigma's whistleblowing policy. The policy is available on the Sigma website.

7. Risk Assessment and Management

The Board is committed to the identification, assessment and management of risk throughout Sigma's business activities. Sigma has established policies for the oversight and management of material business risks. Sigma's overarching Risk Management Policy can be found on the Sigma website.

The Board's committee structure forms an important part of the risk management process. Through the RMAC, the Board has required management to design and implement a risk management and internal control system to manage Sigma's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure.

Sigma recognises that risk management is an intrinsic part of each manager's day-to-day activity. Each business division is individually responsible and financially accountable for ensuring that there are appropriate systems and structures in place for the protection of its people and assets, in accordance with Sigma's risk policies and systems.

Management reports to the Board through the RMAC as to the effectiveness of Sigma's management of its material business risks on a quarterly and annual basis.

8. Code of Conduct/Ethical Standards

All Directors, senior executives and employees are required to act honestly and with integrity. Sigma has developed and communicated to all employees and Directors the Sigma Code of Conduct. Sigma's Code of Conduct is set out on the Sigma Website, it promotes:

- honest and ethical behaviour;
- respect for people and property; and
- legal compliance.

In summary, Directors, senior executives and employees must:

- minimise conflicts of interest and disclose possible or potential conflicts;
- avoid receiving material gifts or benefits from third parties in connection with Sigma's business;
- report any knowledge of fraud, material error, breach of law or of a concealed practice against the interest of Sigma;
- not use any Sigma asset on an unauthorised basis for personal use or gain (including goods, money, equipment, corporate cards, intellectual property or the services of other areas of the organisation);

- treat all stakeholders (Sigma team members, security holders, customers, suppliers, the public and others on Sigma’s behalf) courteously, fairly and without harassment or unlawful discrimination in any form; and
- comply with all federal, state and local laws and regulations.

Further details of Sigma’s Code of Conduct are set out on the Sigma website.

9. Diversity and Inclusion

The Company respects and values the benefits of a diverse and inclusive workforce that reflects the communities in which we operate and embraces diversity of thought. We believe that in order to be a high performing, agile and innovative organisation we must leverage the full potential of all of our people. Diversity in this context includes experience, gender, age, caring responsibilities, cultural identity, disability, ethnicity, religious beliefs, education, family and relationship status, gender identity and sexual orientation.

Relevant policies are in place and made available to all staff at commencement with the Company and via our intranet to support a diverse and inclusive workforce. These include the Diversity Policy and The Good Working Relationships Policy. Policies designed to recognise and support the diverse needs of our workforce are also in place including a Flexible Working Arrangements Policy and Carers and Parental leave policies. Our HR policies around recruitment and learning and development ensure that these processes are encouraging the attraction, retention and development of a diverse workforce.

Specifically at the Board level, the Company is seeking to ensure each Non-Executive Director contributes towards a broad mix of skills including financial, retail, operational, fiduciary, human resources and strategic.

(a) Gender Diversity

The Board values and is committed to promoting gender diversity at the Board level. The last two Board appointments have been women.

From a senior executive perspective, the current gender mix is 50% female.

The Board has also continued its efforts to ensure gender pay equity exists within the business. Consistent with the previous year, a detailed gender pay gap analysis was conducted as part of the 2018 remuneration review process. The results of the analysis confirmed that gender pay variances are not prevalent at Sigma when comparing male and female salaries for like-for-like positions or by-level. The majority of variances could be adequately explained, with only a small number of adjustments required (affecting both male and female employees) to enhance pay equity.

In line with the ASX Corporate Governance Principles and Recommendations (Recommendation), the Company makes the following disclosures in relation to gender diversity.

(b) Diversity Policy

The Company’s Diversity Policy is available at www.sigmahealthcare.com.au.

(c) Measurable Objectives and Progress

In accordance with Recommendation 1.5(a) and the Company’s diversity policy, measurable objectives for achieving gender diversity have been set by the Board and are reviewed annually in order to ensure they remain relevant and to assess the Company’s progress towards achieving them. In accordance with Recommendation 1.5(c), the Company has made the following progress towards achieving the measurable objectives:

Measurable Objectives	Progress
Aim to increase the proportion of women on the Board as vacancies and circumstances permit	No Board vacancies arose during the financial year.
Aim to increase the proportion of women in executive and senior management positions as vacancies and circumstances permit	There was one executive vacancy recruited for over the financial year, with a male being appointed to the role from a shortlist that included women. A female Company representative sits on the interviewing panel for all executive and senior management vacancies. For each of these vacancies a diverse candidate pool is reviewed with the aim of interviewing suitable candidates from both genders.
Target equal gender participation in key Talent Management programs	During recruitment activities the Company endeavours to balance the need to select the most suitably qualified and experienced candidate for the role with the advantages of promoting a diverse workforce. 45% of employees who participated in programs sponsored by the Talent Management team were female. Participation in these programs is open to all employees and selection is based on merit and suitability.

9. Diversity and Inclusion continued

(d) Proportion of Women Employees and Board Members

In accordance with Recommendation 1.5(c)(1), the Company makes the following disclosures in relation to the proportion of women in the organisation:

Disclosure Requirement	Disclosure
Proportion of women employees in the whole organisation	As at 31 January 2019, 58% of the Company's employees were women.
Proportion of women in senior executive positions ¹	As at 31 January 2019, 50% of senior executive positions were held by women.
Proportion of women in senior management positions ²	As at 31 January 2019, 25% of senior management positions within the Company were held by women.
Proportion of women on the Board of the Company	As at 31 January 2019, 33% of the Company's Non-Executive Directors were women.

1. Senior executive positions are those within the Executive Committee, including the CEO and CEO's key direct reports.

2. Senior management positions are those within the top three layers of the organisation.

10. Environmental Statement

Sigma is committed to reducing our environment footprint and has implemented several initiatives to help achieve this.

Energy Efficiency

Sigma has made a concerted effort to improve our energy efficiency with several initiatives introduced including:

LED Lighting

LED lighting has been retrofitted at our Rowville, Victoria site with this expected to save 983MWh of electricity per year, providing a 70% reduction in lighting energy use, equating to over 1,000 tonnes reduction in CO₂.

New Distribution Centres

At our newly constructed distribution centres in Berrinba, QLD and Canning Vale, WA and at our new distribution centres in progress at Kemp's Creek, NSW and Pooraka, SA, each includes LED lighting and motion activation, along with a 250 KW solar system that will generate approximately 20% of the sites' electricity needs and save 340 tonnes of CO₂ emissions.

Route Optimisation

Across all sites, Sigma adopts the SmartTrans route optimisation solution that is designed to cluster delivery routes to improve the efficiency of the delivery to our customers and result in reduced CO₂ emissions.

Australian Packaging Covenant

Sigma continues to be a signatory to the Australian Packaging Covenant and to meet the requirements of the standards.

Recycling and Waste Reduction Initiatives

Packaging

Sigma has implemented a number of initiatives relating to its packaging over the year, these have included:

- implementing changes to our first aid range to reduce the number of plastic seals required by 231,000 per annum.
- eliminating the usage of traditional plastic bubble wrap by over 17,000 lineal meters per year by introducing a paper-based, earth friendly alternative to plastic bubble wrap and air pouches for outbound product dispatch.
- our Amcal brand announcing a move away from plastic bags for customers in pharmacy, replaced by recyclable paper bags. This continues to be rolled out across our national network.
- Sigma has also improved efforts to ensure delivery tote boxes are returned for repeat use. This has seen our tote return rate increase to 25%.

Waste

Waste initiatives implemented by Sigma have resulted in the diversion of 1,074 tonnes of waste from landfill and eight tonnes were recovered out of a total waste amount of 1,680 tonnes through a network wide Waste Diversion and Recovery program this year.

In addition, as part of the Group's major IT equipment and systems upgrade project, we diverted large quantities of redundant electronic devices such as desk top computers, laptops, monitors, printers, televisions, servers, mobile phones and other sundry items to industry best-practice disposal channels to maximise recycling and material recovery according to ISO14001 standards.

Cartridges 4 Planet Ark

Printer cartridges are collated and recycled through the Planet Ark recycling program.

Cup Rescue

The Group has implemented the Cup Rescue initiative across our sites, enabling the facility to capture coffee cups and divert them away from landfill. This is expected to save 150,000 cups from landfill annually.

Water Recycling

Water recycling has been a design feature of our new DC's, with facilities up to 40,000 litres implemented to capture stormwater for use in flushing toilets and irrigation of landscaping.

11. Social Statement

Sigma is committed to managing our business in a socially responsible and ethical manner and contributing towards building healthy and sustainable communities. As Australia's largest pharmacy-led network, we have extensive reach across the nation which puts us in a unique position to support the broader community.

Summer Foundation

Sigma continues to support the Summer Foundation, which aims to create, lead and demonstrate long-term sustainable changes to stop young people from being forced to live in nursing homes because there is nowhere else for them.

Today in Australia, more than 6,000 younger people (under 65) with disability are forced to live in nursing homes. The majority of these young people acquired their disability as adults.

Sigma donated \$55,600 to the foundation at our annual Supplier Gala Dinner held in July 2018.

Carers Australia

Sigma and Amcal have continued to support Carers Australia, the national peak body representing Australia's unpaid carers. Carers Australia works collaboratively with partner and member organisations, and the network of state and territory Carers Associations, to deliver a range of essential national carer services. In December, we donated \$30,000 to this worthy organisation, with the donation used to support our nation's young carers. The Young Carers Network is a program that was established to assist those young carers engage with each other and help support them to stay in school.

Assistance Dogs Australia

Discount Drug Stores have again been very active in supporting the community with the donation and sponsorship of over \$40,000 this year to its charity partners Free2Be and Assistance Dogs Australia.

Discount Drug Stores sponsored two new assistance dogs during the 2019 financial year, with Coco becoming fully qualified and placed with a very deserving recipient, Linda, a former GP who requires a wheelchair because of an autoimmune disease. Coco provides companionship and assistance and instils confidence in Linda to feel less vulnerable in public.

Guardian Angel Program

2018 marked 20 years of the Guardian Angel Knitting Program, an initiative of Guardian Pharmacy, which in its lifetime has provided over two million garments for those facing hardship each winter.

This year, Guardian Pharmacy partnered with St Vincent de Paul Society for the second consecutive year. The program donated more than 50,000 garments in a bid to provide the 116,000 Australians experiencing homelessness and the three million in poverty with warm winter wear.

In addition, Guardian also runs the Caring4Community program, providing \$500 each month to the successful Guardian pharmacy, for the pharmacy to support a local charity of their choice.

12. ASX Principles and Recommendations Checklist

Ref	ASX Principle	Section*	Compliance
Principle 1: Lay Solid Foundations for Management and Oversight			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	2(a)	Yes
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	2(c) and 2(e)	Yes
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	2(f)	Yes

Corporate Governance, Environmental and Social Statements continued

12. ASX Principles and Recommendations Checklist continued

Ref	ASX Principle	Section*	Compliance
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	2(b)	Yes
1.5	A listed entity should:	9	
	(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;		Yes
	(b) disclose that policy or a summary of it; and		Yes
	(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:		Yes
	(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined 'senior executive' for these purposes); or		Yes
	(2) if the entity is a 'relevant employer' under the Workplace Gender Equality Act, the entity's most recent 'Gender Equality Indicators', as defined in and published under that Act.		Yes
1.6	A listed entity should:	2(j)	
	(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and		Yes
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		Yes
1.7	A listed entity should:	4	
	(a) have and disclose a process for periodically evaluating the performance of its senior executives; and		Yes
	(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.		Yes

Ref	ASX Principle	Section*	Compliance
Principle 2: Structure the Board to Add Value			
2.1	The board of a listed entity should:	3(b)	
	(a) have a nomination committee which:		n/a
	(1) has at least three members, a majority of whom are independent directors; and		
	(2) is chaired by an independent director, and disclose:		
	(3) the charter of the committee;		
	(4) the members of the committee; and		
	(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		
	(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.		Yes
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	2(d), 2(e)	Yes
2.3	A listed entity should disclose:	2(g) and Directors' Report	
	(a) the names of the directors considered by the board to be independent directors;		Yes
	(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and		Yes
	(c) the length of service of each director.		Yes
2.4	A majority of the board of a listed entity should be independent directors.	2(g)	Yes

Ref	ASX Principle	Section*	Compliance
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	2(c), 2(g)	Yes
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	2(f)	Yes
Principle 3: Promote Ethical and Responsible Decision-making			
3.1	A listed entity should:	6(a), 8	
	(a) have a code of conduct for its directors, senior executives and employees; and		Yes
	(b) disclose that code or a summary of it.		Yes
Principle 4: Safeguard Integrity in Corporate Reporting			
4.1	The board of a listed entity should:	3(a), 5 and Directors' Report	Yes
	(a) have an audit committee which:		
	(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and		Yes
	(2) is chaired by an independent director, who is not the chair of the board, and disclose:		Yes
	(3) the charter of the committee;		Yes
	(4) the relevant qualifications and experience of the members of the committee; and		Yes
	(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		Yes

Ref	ASX Principle	Section*	Compliance
	(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.		n/a
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	5(a)	Yes
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	5(b)	Yes
Principle 5: Make Timely and Balanced Disclosure			
5.1	A listed entity should:	6(c)	
	(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and		Yes
	(b) disclose that policy or a summary of it.		Yes
6.1	A listed entity should provide information about itself and its governance to investors via its website.	3 and 6	Yes
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	6(c)	Yes
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	6(c)	Yes
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	6(c)	Yes

Corporate Governance, Environmental and Social Statements continued

12. ASX principles and Recommendations Checklist continued

Ref	ASX Principle	Section*	Compliance
Principle 7: Recognise and Manage Risk			
7.1	The board of a listed entity should:	3(a), 7 and Directors' Report	
	(a) have a committee or committees to oversee risk, each of which:		Yes
	(1) has at least three members, a majority of whom are independent directors; and		Yes
	(2) is chaired by an independent director, and disclose:		Yes
	(3) the charter of the committee;		Yes
	(4) the members of the committee; and		Yes
	(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		Yes
	(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.		n/a
7.2	The board or a committee of the board should:	3(a)	
	(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and		Yes
	(b) disclose, in relation to each reporting period, whether such a review has taken place.		Yes
7.3	A listed entity should disclose:	5(c)	
	(a) if it has an internal audit function, how the function is structured and what role it performs; or		Yes
	(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.		n/a
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Operating and financial review	Yes

Ref	ASX Principle	Section*	Compliance
Principle 8: Remunerate Fairly and Responsibly			
8.1	The board of a listed entity should:	3(b)	
	(a) have a remuneration committee which:		Yes
	(1) has at least three members, a majority of whom are independent directors; and		Yes
	(2) is chaired by an independent director, and disclose:		Yes
	(3) the charter of the committee;		Yes
	(4) the members of the committee; and		Yes
	(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or		Yes
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.		n/a
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	2(k) and 4	Yes
8.3	A listed entity which has an equity-based remuneration scheme should:	6(d)	
	(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and		Yes
	(b) disclose that policy or a summary of it.		Yes

* Refers to sections of the Corporate governance, environmental and social statements unless stated.

Director's Report

For the year ended 31 January 2019

The Directors present their report on Sigma Healthcare Limited (the Company) and its controlled entities (the Group) for the year ended 31 January 2019.

Directors

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

Name	Particulars
Mr Brian Jamieson <i>FCA, FAICD</i> Non-Executive Chairman and Director	Appointed a Director of Sigma Healthcare Limited in May 2003, and Chairman of Sigma Healthcare Limited in June 2010. Mr Jamieson is also Chairman of Mesoblast Limited and a Director of Highfield Resources Limited and the Bionics Institute. He is a former Managing Partner of Minter Ellison Lawyers Melbourne, former Chief Executive of KPMG Australia and former Director of Bank of Western Australia Limited, HBOS Australia Limited, Tigers Realm Coal Limited, Oz Minerals Limited, Tatts Group Limited and CareAustralia. Mr Jamieson has over 30 years' experience in providing advice and audit services to a diverse range of public and large private companies. He has not held any directorships of listed entities in addition to those set out above during the last three years.
Mr Mark Hooper <i>BBus (Acc), CPA, FFTP, MAICD</i> CEO and Managing Director	Appointed Managing Director of Sigma Healthcare Limited in August 2010. Mr Hooper has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 Mr Hooper was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mark was Chief Financial Officer of Sigma from 2001 to 2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.

Name	Particulars
Mr David Bayes <i>FAICD</i> Non-Executive Director, Chairman of the People and Remuneration Committee, Member of the Risk Management and Audit Committee	Appointed a Director of Sigma Healthcare Limited in June 2007. Mr Bayes has held a variety of board and executive positions including former Chief Executive Officer of Choice Hotels Australasia, Chief Operating Officer of Mortgage Choice, Chief Executive Officer and Director of Bakers Delight, former Non-Executive Director of Chiquita Brands South Pacific Ltd, former Non-Executive Director of North Western Healthcare Network and former Vice President and Director of McDonald's Australia. Mr Bayes is a Non-Executive Director of the Australian Institute of Company Directors and is the current President of the Victoria Council, Australian Institute of Company Directors. Mr Bayes has over 35 years' experience in multi-outlet retail business. Mr Bayes has not held any directorships of listed entities in addition to those set out above during the last three years.
Mr Raymond M Gunston <i>BComm (Hons), DipEd, FCPA, FTA, GAICD</i> Non-Executive Director, Chairman of the Risk Management and Audit Committee, Member of the People and Remuneration Committee	Appointed a Director of Sigma Healthcare Limited in July 2010. Mr Gunston is a Non-Executive Director and Chairman of the Board Audit and Risk Committee of Hotel Property Investments Limited. He has over 35 years of extensive corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions, and accounting. He is a former Chief Financial Officer of Tatts Group Limited, and a former director of many of the Tatts Group's subsidiary and associate companies, and the former Interim CEO for the Essendon AFL Football Club. Mr Gunston is currently General Manager – Infrastructure, Major Projects and Investment of the Australian Football League. Mr Gunston has not held any directorships of listed entities in addition to those set out above during the last three years.

Director's Report continued

Directors continued

Name	Particulars
Mr David G Manuel <i>BPharm, MPS, MAICD</i> Non-Executive Director, Member of the People and Remuneration Committee	<p>Appointed a Director of Sigma Healthcare Limited in October 2009. Mr Manuel is a community pharmacist and an active participant in industry affairs with a special interest in cognitive services such as Opiate Dependency treatments, Compounding, and Aged Care pharmacy services. Mr Manuel is a Director of Black Swan Healthcare Ltd (formerly Perth North Metro Medicare Local Ltd). He is the current Western Australian representative on the Amcal Guardian National Council (AGNC). He is a current Branch Committee Member of The Pharmacy Guild of Australia (WA Branch).</p> <p>Mr Manuel has not held a directorship of any other listed entity during the last three years.</p>
Ms Kathryn (Kate) D Spargo <i>LLB (Honours), BA, FAICD</i> Non-Executive Director, Member of Risk Management and Audit Committee	<p>Appointed a Director of Sigma Healthcare Limited in December 2015. Ms Spargo holds a Bachelor of Law with Honours, an Arts degree from the University of Adelaide and is a fellow of the Australian Institute of Company Directors. She has gained broad business experience as both an advisor, having worked in private practice and government, and as a director of listed and unlisted companies. Ms Spargo is currently Non-Executive Director at Sonic Healthcare Limited, Adairs Limited, CIMIC Ltd and Xenith IP Ltd.</p> <p>Ms Spargo has held a Directorship in a listed entity over the past three years as Chairman in UGL Limited and Non-Executive Director in Fletcher Building Limited.</p> <p>In addition, Ms Spargo's current directorships in unlisted companies include Director of ColInvest Limited, the Geelong Football Club and Future Fuels Cooperative Research Centre.</p>

Name	Particulars
Ms Christine Bartlett <i>BSc, MAICD</i> Non-Executive Director, Member of People and Remuneration Committee	<p>Appointed a Director of Sigma Healthcare Limited in March 2016. Ms Bartlett holds a Bachelor of Science (Pharmacology and Physiology) from the University of Sydney and has completed the Harvard University Advanced Management Training and Global Executive Program. As an experienced CEO and senior executive, Ms Bartlett has broad commercial expertise, with a particular focus in areas of financial discipline, risk management, innovation, technology, and strategy execution. Ms Bartlett's current directorships in listed entities include Non-Executive Director at Mirvac Group and GBST Ltd.</p> <p>Ms Bartlett has not held any other directorships in listed entities over the past three years.</p> <p>In addition, Ms Bartlett's current directorships in unlisted companies include Non-Executive Director of Clayton Utz, iCare and TAL, and Chairman of The Smith Family. Ms Bartlett is a member of UNSW Australian School of Business Advisory Board, Chief Executive Women, and the Australian Institute of Company Directors.</p>

Each of the directors held office for the whole financial year and since the end of the financial year.

Principal Activity

The Group is currently one of the largest full line pharmaceutical wholesaler and distribution businesses in Australia, delivering daily to pharmacies Australia wide. The Group also operates Australia's largest pharmacy-led network, across the brands Amcal, Chemist King, Discount Drug Stores, Guardian, and PharmaSave.

Through its Sigma Hospital Services business, the Group has a national presence in the hospital pharmacy distribution market, as well as the provision of third and fourth party logistics services through its subsidiary Central Healthcare Pty Limited (CHS).

The Group also provides dose administration aid and related services through its Medication Packaging Systems business and the supply of medical and allied products through its Medical Industries Australia business.

There have been no significant changes in the nature of the principal activities during the year.

Operating and Financial Review

The operating and financial review, which forms part of this Directors' Report, is presented separately on pages 18 to 21.

Environmental Regulations

The Group is not licenced or otherwise subject to conditions for the purposes of environmental legislation or regulation.

Dividends

A fully franked interim dividend of 1.5 cents, amounting to \$15,893,000 was paid on 29 October 2018.

Since the end of the year, the Directors have resolved to pay a final dividend of 2.0 cents per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 January 2019. The ex-dividend date is 3 April 2019, the record date is 4 April 2019 and it is expected to be paid on 29 April 2019. The total amount payable is \$21.2 million.

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.

Proceedings on Behalf of the Company

The directors are not aware of any persons applying for leave under s.237 of the *Corporations Act 2001* to bring, or intervene in, proceedings on behalf of the Company.

Non-audit Services

Details of the amounts paid to the auditor of the Company, Deloitte, and its related practices, for audit and other services provided during the year are set out in Note 25. As disclosed, during the period, the Group engaged its auditor to provide certain other services in addition to its statutory duties, the total expense incurred for this work was \$136,000.

The directors are aware of the issues relating to auditor independence and have in place policies and procedures to address actual, potential and perceived conflicts in relation to the provision of non-audit related services by the Company's auditor. Specifically, through the Risk Management and Audit Committee (RMAC), the independence of the auditor is maintained by:

- Limiting the scope and nature of non-audit services that may be provided; and
- Requiring that permitted non-audit services must be pre-approved by the Chairman of the RMAC.

The directors are satisfied that the provision of these non-audit services during the period by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- all non-audit services have been approved by the RMAC or Chairman of the RMAC in accordance with the Company's policy for the independence of its external auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 39.

Remuneration Report

Details of the Group's Remuneration Policy in respect of the Directors and Senior Managers are included in the Remuneration Report on pages 22 to 38, which forms part of this Directors' Report. Details of the remuneration paid to each Non-Executive Director, the CEO and Managing Director and other Senior Managers are also detailed in the Remuneration Report.

Director's Report continued

Directors' and Officers' Indemnities and Insurance

As provided under the Constitution, the Company indemnifies directors and officers to the extent permitted by law for any liability incurred to persons other than the Company or its related bodies corporate in their capacity as directors or officers unless the liability arises out of conduct involving a lack of good faith.

During the year, the Company paid an insurance premium in respect of a contract insuring its directors and officers against a liability of this nature. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amounts of premiums paid are confidential.

Directors' Interests in Share Capital, Options and Performance Rights of the Company

Details of the directors' relevant interests in shares, options and performance rights of the Company at the date of this Report are as follows:

	Number of Fully Paid Ordinary Shares	Number of Performance Rights/Options Over Fully Paid Ordinary Shares
Mr B Jamieson	865,583	-
Mr M Hooper	10,371,702	25,580,080
Mr D Bayes	364,104	-
Mr R Gunston	451,093	-
Mr D Manuel	239,790	-
Ms K Spargo	186,805	-
Ms C Bartlett	68,860	-

Board and Committee Meeting Attendance

The following table sets out the number of directors' meetings held during the year and the number attended by members of the Board or relevant Committee. During the year, 10 Board meetings, five Risk Management and Audit Committee meetings and five People and Remuneration Committee meetings were held.

Directors	Board of Directors		Risk Management and Audit Committee		People and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr B Jamieson	10	9	-	-	-	-
Mr M Hooper	10	10	-	-	-	-
Mr D Bayes ^{1,2}	10	10	5	5	5	5
Mr R Gunston ^{1,2}	10	10	5	5	5	5
Mr D Manuel ²	10	10	-	-	5	5
Ms K Spargo ¹	10	9	5	5	-	-
Ms C Bartlett ²	10	10	-	-	5	5

1. Risk Management and Audit Committee Members.

2. People and Remuneration Committee Members.

Subsequent Events

Subsequent to 31 January 2019, the following events and transactions have occurred:

Redundancies and Site Closures

Since the end of the year, a structured timeline for the transition of the MyChemist/Chemist Warehouse (MC/CW) Group to other suppliers has been agreed. As a result of the impact this will have on business volume, the Group has announced job reductions at its distribution centres and the intention to close regional distribution centres in Shepparton (Victoria), Newcastle (New South Wales) and Launceston (Tasmania) by the third quarter of 2019. Although unfortunate, these changes are necessary to support the efficient exit of the MC/CW Group and contribute in part to reducing operating costs by more than \$100m over the next two years.

Settlement of Legal Matter

Since the end of the year, the Company settled a longstanding legal claim made by the Company against a supplier. The terms of the settlement are confidential; however, the Company will receive a cash settlement in excess of currently capitalised legal expenses relating to the matter.

API Proposal

As disclosed to the ASX on 14 December 2018, the Company received a non-binding indicative proposal from Australian Pharmaceuticals Industries (API) to acquire all the shares in Sigma, via a scheme of arrangement, for 0.31 API shares plus \$0.23 cents in cash for each Sigma share held. Following a detailed assessment of the future potential of the Group on a standalone basis, on 13 March 2019 the Company announced that it had concluded that the API proposal is not in the best interests of Sigma shareholders and was not recommended.

Dividend

Since the end of the year, the Directors have resolved to pay a final dividend of 2.0 cents per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 January 2019. The ex-dividend date is 3 April 2019, the record date is 4 April 2019 and it is expected to be paid on 29 April 2019. The total amount payable is \$21.2 million.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 January 2019 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 20 March 2019.



Mr Brian Jamieson
Chairman

Melbourne
20 March 2019



Mr Mark Hooper
CEO and Managing Director

Operating and Financial Review

Overview of Operations

The Group is in the business of health, with operations focused on connecting health solutions for our customers, through the following activities:

- Wholesale and distribution of pharmaceutical and over the counter (OTC) products to community pharmacy and hospital pharmacy;
- The provision of retail support services to our branded network of pharmacy members – Amcal, Guardian, Discount Drug Stores, PharmaSave, Chemist King, and Whole Life, and to independent pharmacies;
- Hospital pharmacy services, including data and programs supporting specialty medication services;
- The provision of dose administration aid services to the aged care sector, community pharmacy sector, and in the home;
- Supply of medical consumables and devices to aged care, hospitals and clinics;
- The provision of technology solutions and data analytics to support our customers; and
- Product development and support for a range of Private and Exclusive label products.

The Group, through its network infrastructure, also offers third party and fourth party logistics services.

Financial Performance

The Group reported net profit after tax (NPAT) attributable to owners of the Company for the year ended 31 January 2019 of \$36,520,000 was down 33.7% from the prior period (\$55,059,000). Reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$76,550,000 was down 17.5% on the prior period (\$92,834,000).

Both periods were impacted by non-operating items. In the current period, expenses of \$13,978,000 before tax (\$9,785,000 after tax) resulted from restructuring, litigation and due diligence costs. In the prior period, there were restructuring, litigation and due diligence costs of \$6,914,000 before tax (\$4,840,000 after tax). The current period restructuring costs predominantly relate to the closure of Sigma's Mansfield distribution centre in Queensland.

Removing the impact of these adjustments, underlying NPAT attributable to owners of the Company was down 22.7% to \$46,304,000 (\$59,899,000 in the prior period). Underlying EBITDA attributable to owners of the Company of \$76,151,000 was down 15.6% from \$90,252,000 reported in the prior period as reported in the below reconciliation.

	31 January 2019 \$'000	31 January 2018 \$'000
Reported NPAT attributable to owners of the Company	36,520	55,059
<i>Add back:</i>		
Restructuring and dual operating costs after tax	9,180	2,601
Litigation and due diligence costs after tax	604	2,239
Underlying NPAT attributable to owners of the Company	46,304	59,899
Reported EBIT	63,028	83,747
Add: Reported depreciation and amortisation	13,522	9,087
Reported EBITDA	76,550	92,834
<i>Add back:</i>		
Restructuring and dual operating costs before tax	13,115	3,715
Litigation and due diligence costs before tax	863	3,199
Underlying EBITDA	90,528	99,748
Less: Reported depreciation and amortisation	(13,522)	(9,087)
Underlying EBIT	77,006	90,661
Less: Non-controlling interests before interest and tax	(855)	(409)
Underlying EBIT attributable to owners of the Company	76,151	90,252

Sales revenue was \$3,976,774,000, down 2.9% on the prior period of \$4,094,440,000.

The decrease in sales revenue was influenced by the reduction in demand for high cost, low margin, Hepatitis C medications which was anticipated and in line with broader market trends. Adjusting for sales of Hepatitis C medications, sales revenue was up 3.0%. This result was impacted by a range of contributing factors including:

- an increase in hospitals revenue of 51% (excluding Hepatitis C sales) resulting from growth in Western Australian and New South Wales hospitals and the extension of key Victorian hospital contracts;
- incremental sales from Medication Packaging Systems (MPS) and Medical Industries Australia (MIA), following the acquisitions in the second half of 2017;
- an increase in retail pharmacy wholesale volumes (excl Hep C) of 0.6%; and
- offset by reduced prices from ongoing Pharmaceutical Benefits Scheme (PBS) price reform, the loss of sales from suppliers distributing directly to customers and higher customer rebates paid to the My Chemist/Chemist Warehouse (MC/CW) Group.

Gross profit for the period declined by 3.9% to \$273,194,000, compared to \$284,363,000 in the prior period, with total gross margin of 6.9% consistent with prior period. Excluding the influence of Hepatitis C sales, underlying gross margin decreased from 7.7% to 7.3%, reflecting a proportional increase in lower margin sales from the hospitals business, ongoing PBS reform and the higher customer rebates.

Other revenue of \$99,454,000 was up 19.1% from \$83,478,000 in the prior period flowing from a full year of dose administration services provided by MPS following its acquisition in September 2017. Other revenue also includes pharmacy brand member fees, other rebates, promotional and marketing income and data analytics services.

Warehouse and delivery expenses were \$167,696,000, up 15.6% from the prior period (\$145,055,000). This increase reflects additional operating costs from the closure of the Mansfield (Queensland) distribution centre and the establishment of the Group's new distribution centre in Berrinba, Queensland. The period was also impacted by the inclusion of warehouse costs to service our new MPS operations and an increase in people costs in accordance with our EBA agreements.

The new Queensland site in Berrinba was operational from February 2018 and the Western Australian site in Canning Vale commenced operations just before year end. Further details on the ongoing investment in the Group's distribution centre network is provided below under 'Likely developments and expected results of operations'.

Sales and Marketing expenses of \$64,799,000 for the period were up 0.7% from \$64,343,000 in the prior period. The marginal increase largely reflects salary inflation over the period, partially offset by more efficient advertising spend.

Administration costs for the year were down 3.1% to \$63,603,000 (\$65,609,000 in the prior period). The cost decrease is attributable to lower spend on IT overhead costs and reduced headcount year on year, partially offset by wages increases and additional expenses contributed by MPS and MIA following their acquisition in late 2017.

Depreciation and amortisation expenses of \$13,522,000 were 48.8% higher than \$9,087,000 in the prior period. The increase reflects additional depreciation from the completion of the distribution centre at Berrinba in Queensland, as well as depreciation and amortisation from property, plant and equipment and software acquired through the acquisitions of MPS and MIA.

Net interest expense of \$11,070,000 was up 121% from \$5,012,000 in the prior period. The increase reflects the higher average monthly debt position held in the current reporting period to fund the Group's distribution centre capital optimisation program and the restructuring costs associated with it.

Income tax expense of \$14,917,000 (effective tax rate of 28.7%) was down compared to \$23,349,000 (effective tax rate of 29.7%) in the prior period, in line with a decrease in reported profit before tax.

Financial Position

The Group's net assets at 31 January 2019 have remained largely consistent compared to the start of the year, closing at \$514,280,000, down \$979,000 or 0.2% from \$515,259,000. The stable result is driven by the Group's continued high dividend payout ratio as reflected in the consolidated statement of changes in equity.

Working capital has increased by \$30,887,000 over the year to \$406,201,000. The Cash Conversion Cycle (CCC), being the net of Days Sales Outstanding (DSO), Days Inventory on Hand (DIO) and Days Payable Outstanding (DPO), has increased four days to 36 days. Adjusting for Hepatitis C, the CCC increased by five days to 40. This increase has been driven by creditors which are lower than prior period due to timing of payments around the balance date.

Underlying return on invested capital (ROIC)¹ for the current period was 12.2% compared to 16.6% for the prior period. ROIC remains a strong focus for management, with the decrease reflecting lower profit over the period, in addition to additional capital employed to acquire MPS and MIA and construct the Berrinba, Queensland distribution centre which is now included in the asset base for determining ROIC.

The on-market share buy-back program continued during the period, with an investment of \$893,000 to acquire and cancel 1,213,248 shares. Since the commencement of the on-market share buy-back program in October 2012, the Company has invested a total of \$99,511,000 to acquire and cancel 131,934,923 of the Company's shares, at an average price of \$0.75 per share. This represents 11.1% of issued capital since its commencement. The continuation of the program will be periodically reviewed by the Board in the context of our ongoing business objectives.

1. Underlying pre-tax ROIC is based on the last 12 months of underlying earnings (underlying EBIT), and net assets adjusted for capital work in progress on the construction of new distribution centres not yet being utilised.

Changes in State of Affairs

In July 2018, the Company announced that a commercially acceptable agreement could not be reached with the MC/CW Group to extend the existing contract beyond 30 June 2019. Because of this announcement, annualised sales revenue is likely to decline by around \$1.7 billion. This decision became the catalyst for the implementation of a major business transformation program (Project Pivot) which included a structured program of work to ensure the efficient and effective wind down of costs in line with the unwinding of services provided to the MC/CW Group. This work stream forms part of a larger program of work that has identified opportunities to structurally reduce the Company's operating cost base by over \$100 million.

During the year, AstraZeneca, a supplier of PBS products, reversed an earlier decision to take a certain profitable range of products to a direct to pharmacy supply model. As a result of this decision, these PBS products became available to the Company to again supply to its customers.

Likely Developments and Expected Results of Operations

The Group remains committed to our overarching vision and strategy, including seeking opportunities to expand and broaden our business operations to reduce our reliance on income derived from the distribution of PBS listed medicines. This may see the Group identify acquisition opportunities that are consistent with this strategy and make acceptable commercial returns.

As part of the cessation of the MC/CW contract on 30 June 2019, approximately \$300 million of working capital will be returned to the Company. This is expected to occur between May and October 2019.

As well as ensuring the effective transition of the MC/CW business, Project Pivot has been focused on refining the Company Vision and Future Direction and identifying structural and operational efficiency opportunities throughout the Company. This program of work has identified over \$100 million of cost saving initiatives that can be delivered over the next two years. The implementation of programs to achieve these benefits has commenced, with the Company announcing to team members the proposed closure of distribution centres in Newcastle (New South Wales), Shepparton (Victoria) and Launceston (Tasmania) and the reduction in the work force at other sites. These plans are being implemented in line with the wind down of the MC/CW contract, and are expected to be finalised by October 2019.

The Group continues to invest in its network of distribution centres. This has seen operations commence at new distribution centres in Berrinba, Queensland, at the start of the 2018 calendar year, and at Canning Vale in Western Australia at the start of the 2019 calendar year. This program is continuing and is likely to see the commencement of operations at new sites in Pooraka, South Australia by the end of the 2019 calendar year and at Kemps Creek in New South Wales at the start of the 2020 calendar year.

In March 2019, the Company's Board announced that it could not recommend a proposal put forward by Australian Pharmaceutical Industries (API) for the two companies to merge on the basis that it was not in the best interests of shareholders. Based on the latest information available, API continue to hold 12.95% of the shares of the Company. Despite API indicating they would cease interest in their merger proposal, it remains possible that API or some other interested party may seek to continue engagement to drive a transaction.

Material Risks

The Group's activities expose it to a number of economic and business risks. Sigma's risk management policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Sigma accepts that risk is a part of doing business, therefore, this policy is not designed to promote risk avoidance, rather to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

The Group's risk management approach is supported by:

- a robust risk governance framework overseen by the RMAC;
- a strong and experienced management team;
- clearly articulated levels of authority and approval processes;
- established risk identification tools including a Group Risk Register that is reported to the RMAC quarterly; and
- adequate external insurance cover.

The following is a summary of the most material and significant risks facing the Group that are currently reported to the RMAC and are under active management. We have included in the table examples of mitigations in place to assist in managing these risks:

<p>Risk</p> <p>Australian community pharmacy regulatory reform and/or legislative changes</p> <p>The risk of regulatory reforms imposed on the industry in relation to the PBS, CSO and other Government initiatives, regulation and legislation which could impact the structure and/or operating environment, and therefore position, of Sigma's business.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Monitoring and review of PBS and CSO changes • Active agenda and timetable of engagement with identified industry and political stakeholders and membership of industry groups • Future business development to diversify revenue streams away from PBS dependency • Ongoing investment in systems and processes to ensure compliance with regulatory requirements. 	<p>Risk</p> <p>Operations risk</p> <p>The Group is exposed to a number of risks that have the potential to materially impact operations or result in business interruption. This includes industrial action, workplace health and safety and loss of infrastructure.</p>	<p>Mitigation</p> <p>Sigma has various controls in place to address risks to its operations, some specific examples include:</p> <ul style="list-style-type: none"> • Enterprise agreement strategies and site specific planning • Business continuity plans and disaster recovery capability and technology for core systems • Distribution centre optimisation program • Robust health and safety management system and dedicated health and safety resources.
<p>Delivery of strategic initiatives (projects/acquisitions) and our business transformation program</p> <p>There is a risk of Sigma not achieving its strategic priorities if we fail to deliver our key strategic projects, including our business transformation program (Project Pivot), and integrate our acquisitions/subsidiaries successfully.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • Detailed project planning with resource support from external experts • Structured project governance including the establishment of project boards for all material projects and integration teams for acquisitions • Resource planning and dedicated teams established to deliver strategic projects, including obtaining external expert support when required • Executive sponsorship and responsibility of all key strategic projects/subsidiaries with Board oversight. 	<p>IT infrastructure and systems</p> <p>IT infrastructure and systems do not adequately support the current and future needs of the business and do not protect against cyber risk.</p>	<p>Mitigation</p> <ul style="list-style-type: none"> • IT governance structure in place to manage the existing IT environment, including an Architecture Review Council that administers IT change management • Standardisation of Managed Operating Environment (MOE) and Standard Operating Environment (SOE) underway • Enterprise Service Bus successfully implemented providing Sigma with a Tier 1 platform for future enterprise integration • Planning for a new enterprise resource system commenced.
<p>Financial risk</p> <p>The Group is exposed to various financial and economic sustainability risks including customer defaults, loss of inventory from damage or obsolescence, loss of material customers and general retail trading conditions.</p>	<p>Sigma has governance in place to address all its major financial risks, particularly in relation to working capital. Some specific examples include:</p> <ul style="list-style-type: none"> • Credit policy and credit framework overseen by a credit committee • Obsolete and slow-moving inventory committee established to review inventory on hand • Operational and contracted relationships with customers/customer groups • Structured process to review funding and debt needs overseen by the CFO. 		

Remuneration Report

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Abbreviation	Item
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
WACC	Weighted Average Cost of Capital

Introduction

Dear Shareholders,

On behalf of the Board I am pleased to present Sigma's Remuneration Report (Report) for the year ended 31 January 2019 (financial year).

The remuneration outcomes for this financial year reflect a challenging time for Sigma. As a result, no short-term incentives (STI) were paid for the second consecutive year, other than those relating to safety. The long-term incentive (LTI) plan granted in 2016 vested at 50% after meeting the 3-year Return on Invested Capital (ROIC) performance target however the TSR target was not met and therefore lapsed. Following the API public announcement regarding its interest in acquiring Sigma Healthcare, the Board considered it appropriate to approve a loan extension of the previously vested 2013 and 2014 LTI plan for a further 12 months to January 2020, in order to facilitate compliance with Sigma's Share Trading Policy.

While it is regularly reviewed, our remuneration structure has remained largely unchanged for the past eight years thus supporting the business in a rebuilding and growth phase, to appropriately align remuneration outcomes to the interests of shareholders. To enhance this position and in recognition of our corporate responsibility, the People and Remuneration Committee (Committee) reviewed and updated Sigma's remuneration principles during the year to include acting in the interests of the customers and communities we serve. As a result of these amendments to the Sigma Remuneration Principles, the Board is confident that management has a broader governance framework in place to ensure these principles are delivered across the Company operations.

In response to the recent events, including the My Chemist/Chemist Warehouse decision, the business must now implement a significant program of change. In line with this, the remuneration structure must be adapted to enable the successful delivery of challenging transformation priorities over and above normal business delivery. This includes retaining and rewarding necessary talent to implement Project Pivot which is expected to deliver over \$100 million in efficiency gains, but will also generate enormous change, and requires additional focus and commitment from the team.

To support Project Pivot Business Transformation the Board approved a one-off change to the 2019 incentive structure for key management and employees. In addition to the usual at-risk performance component of the STI scheme, participants have been offered two additional elements of the plan – one that rewards delivery of specific Project Pivot Transformation targets, and the other to encourage retention of talent through this challenging period. The 2019 LTI plan has also been adjusted for these unique circumstances, with the issue of Performance Rights in place of a Loan Funded Share issue. Further details of the 2019 incentive arrangements will be disclosed in the Company's 2019/20 annual report.

In addition to remuneration considerations for the next performance year, the Committee undertook several Board review activities over the year, including a review of Board Skills and Independence, organisational key role succession planning, oversight of Sigma's Health and Safety Strategy, and our Culture and Engagement activities. These are designed to contribute towards improving underlying performance and the future transformational activities the Company is now pursuing.

Looking forward I am confident we have an established transformation agenda in place to take Sigma to a position of strength and sustainable growth. We have established sensible remuneration and incentive arrangements consistent with our remuneration framework that is aimed at retaining and rewarding our talented team who have a pivotal role in driving the implementation of this critical transformation agenda.

David Bayes

Chairman – People and Remuneration Committee

Remuneration Report continued

Remuneration Report

The Directors of Sigma Healthcare Limited (Company) are pleased to present the Remuneration Report (Report) for the Company and its subsidiaries (Group) for the financial year ended 31 January 2019 (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
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
Ms I MacPherson	Chief Financial Officer
Mr J Sells ¹	Executive General Manager, Strategy and Business Development (until 18 March 2018)

1. Mr J Sells has moved into a non-KMP role effective 19 March 2018.

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.sigmahealthcare.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
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.

During the financial year, the Committee on behalf of the Board engaged MinterEllison to provide market information and practice in relation to incentive arrangements of KMP and senior executives. No remuneration recommendations as prescribed by the Corporations Act were provided.

Remuneration Strategy and Principles

The Company's remuneration strategy is designed to support the delivery of the business strategy and vision. Moving to the next phase of our business transformation journey, our remuneration strategy continues to evolve to attract, retain, motivate and reward employees by providing fair and reasonable rewards for achieving high performance and creating sustained value for shareholders, and that act in the interests of the community and our customers we serve. The remuneration strategy is underpinned by five 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.

Having considered external market movements, a 3% increase to base fees and committee fees was approved effective 1 May 2018. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year were \$1,277,167, as set out in Table 1 on page 34.

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 4a on page 37.

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

Role	Annual Fee Structure*
Chairman	\$321,032
Non-Executive Director	\$127,228
Risk Management and Audit Committee – Chair	\$54,371
People and Remuneration Committee – Chair	\$43,497
Risk Management and Audit Committee – Member	\$27,186
People and Remuneration Committee – Member	\$21,748

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

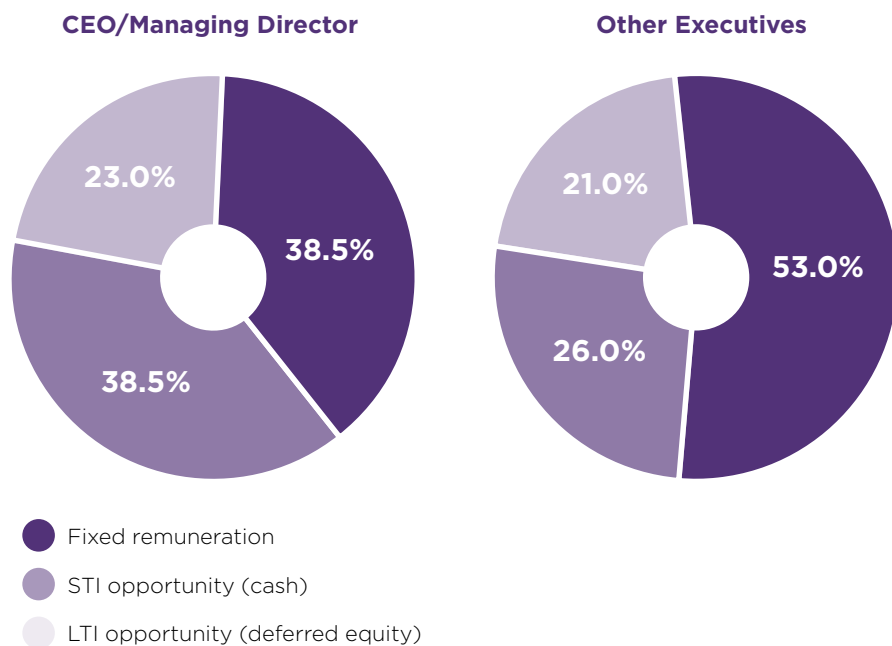
Remuneration Report continued

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
Delivery mechanism <ul style="list-style-type: none"> 100% cash payment consisting of base salary and statutory superannuation contributions 		Delivery mechanism <ul style="list-style-type: none"> 100% cash payment 		Delivery mechanism <ul style="list-style-type: none"> 100% delivered via shares in the Company – allocated upfront pursuant to Company loan Three-year performance period subject to service and forfeiture conditions 		Strategic objectives <ul style="list-style-type: none"> Attract, retain and motivate suitably qualified and experienced executives Encourage a strong focus on performance Support the delivery of outstanding results for the Group over the short and long term Align Executive and shareholder interests through share ownership
Considerations <ul style="list-style-type: none"> Scope and complexity of the role Experience and performance of the individual Executive Internal and external benchmarking 		Performance measures <p>NPAT hurdle</p> <ul style="list-style-type: none"> Minimum performance level must be achieved to trigger any STI payments 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 <p>Financial measures</p> <ul style="list-style-type: none"> 50% of available STI split evenly across NPAT and ROIC Budgeted target must be achieved for minimum payment and above budget stretch targets must be achieved for full payment <p>Non-financial measures</p> <ul style="list-style-type: none"> 50% of available STI is aligned to the achievement of non-financial goals that drive the strategic objectives of the Company 		Performance measures <p>Absolute TSR</p> <ul style="list-style-type: none"> 50% of available LTI is measured against Absolute TSR Vesting of the shares aligned to TSR will occur in accordance with a graduated vesting schedule during the performance period <p>ROIC</p> <ul style="list-style-type: none"> 50% of available LTI is measured against ROIC Vesting of the shares aligned to ROIC will occur when an average ROIC of 12% or higher is achieved during the performance period 		
Strategic objectives <ul style="list-style-type: none"> Set to attract, retain and motivate the right talent to deliver our strategic objectives Typically set at the median of the external market, allowing scope for progressive increases based on proven performance in the role 		Strategic objectives <ul style="list-style-type: none"> NPAT hurdle ensures a minimum acceptable level of profit before Executives receive any STI reward Performance conditions designed to support the financial and strategic objectives of the Company and shareholder return Non-financial measures aligned to core values and key strategic and growth objectives Stretch targets must be achieved to obtain maximum STI available, encouraging a high performance culture Outcomes are subject to external audit to maintain integrity of the reward 		Strategic objectives <ul style="list-style-type: none"> Allocation of shares upfront aligns the interests of Executives with shareholders from date of grant Designed to encourage Executives to focus on the key performance drivers which underpin sustainable growth in shareholder value Key benefits to participants under the plan include capital appreciation (consistent with shareholder interests) and favourable taxation treatment (capital gains tax) Outcomes are subject to external audit to maintain integrity of the reward 		

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:



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.

Following a salary freeze from the previous year the Board approved a fixed remuneration increase of 3% for the CEO/Managing Director.

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
Maximum STI Reward Value	100% of fixed remuneration for the CEO/Managing Director. 50% of fixed remuneration for other Executives.
Hurdle Requirement	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. 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. 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.

Remuneration Report continued

Short Term Incentive continued

Component	Commentary
Performance Measures – Financial	<p>50% of maximum STI reward relate 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>
Performance Measures – Non-financial	<p>50% of maximum STI reward relate to non-financial measures, specifically:</p> <ul style="list-style-type: none"> • CEO/Managing Director – business development, strategy development and execution, people and safety, including reduction in major lost time injuries and improvement in health and safety compliance. • Other Executives – operational performance/efficiency, continuous improvement, people and delivery of key projects. <p>Each non-financial measure is selected based on its alignment with key strategic initiatives that lead to increased shareholder value.</p>

Component	Commentary
Governance	<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>
Reward Mechanism	<p>100% of awarded STI is paid in cash upon Board approval of the audited year-end accounts.</p>
Financial Year Outcome	<p>The NPAT result of \$45.8 million did not exceed the hurdle requirement to trigger the STI payment opportunity for the financial year. Therefore, with the exception of performance measures relating to safety, no STI payments occurred for the financial year. Refer to page 32 for further details.</p>

Key Changes for FY19

As highlighted in the People and Remuneration Committee Chairman's introduction, the 2019/20 financial year is an extraordinary one for Sigma as we prepare to manage an orderly exit of Chemist Warehouse from our business and focus on rebasing and transforming the business to position us for new areas of growth and sustainability. In addition, the Company also faced the uncertainty brought about by the proposed acquisition as announced in December 2018 by API.

In responding to these challenges, it is important that we align our reward programs to focus on the delivery of our large and ambitious transformation program, at the same time as ensuring ongoing business performance and retention of our employees critical to our ongoing success. To this end, the Board has approved a one-off augmented STI program for the KMP and key executives for the 2019/20 financial year. Effective 1 February 2019, in addition to the STI described on pages 27 and 28, two additional incentive components will also be included as outlined in the table below.

Reward Component	Purpose	Quantum for KMP
Project Pivot Business Transformation Plan	<p>This is an incentive plan designed to drive successful business transformation outcome for the next 12 to 24 months.</p> <p>The plan is delivered in a form of a Rights equity plan with 50% of rights vesting at the end of the 2019/2020 financial year and the remaining 50% vesting at the end of the 2020/2021 financial year, subject to meeting performance conditions to be approved by the Board.</p>	<p>The maximum reward value is 60% of fixed remuneration for the CEO/Managing Director and 40% of fixed remuneration for CFO.</p>
Service-based Cash Incentive Plan	<p>As part of the Company's retention strategy, this is a cash payment subject to continued employment, with 50% payment due at the end of the 2019/2020 financial year and the remaining 50% due at the end of the 2020/2021 financial year.</p>	<p>The maximum reward value is 100% of fixed remuneration for the CEO/Managing Director and 75% of fixed remuneration for CFO.</p>

Further details of these plans will be discussed in the Company's 2019/20 annual report.

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
Maximum LTI Reward Value	<p>60% of fixed remuneration for the CEO/Managing Director.</p> <p>40% of fixed remuneration for other Executives.</p>
Performance Period	<p>Three financial years commencing on 1 February in the year of the grant.</p> <p>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.</p> <p>The three-year period also reflects the competitive market practice in attracting, retaining and rewarding high-calibre executives, as 73% of ASX200 companies had a vesting period of three years or less for their LTI plans during the 2018 financial year.</p>
Delivery Mechanism	<p>Loan Funded Shares</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>

Remuneration Report continued

Long Term Incentive continued

Component	Commentary										
Delivery Mechanism continued	<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"> • the outstanding loan less any repayments, and • the market value of the vested shares. <p>The shares allocated to the CEO/Managing Director and the other Executives for the 2018 LTI plan were purchased on-market.</p>										
Vesting Conditions	<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><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> <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>	% 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%										

Component	Commentary
Vesting Conditions continued	<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>For the 2018 grant, the remaining 50% of shares will vest if the average pre-tax ROIC is 12% which is based on an approximation of 1.2 times of Weighted Average Cost of Capital (WACC) or higher during the performance period (Average ROIC of 15% for the 2017 and 2016 LTI plans).</p> <p>Pre-tax ROIC = EBIT / (Total Shareholder Funds + Net Debt)</p> <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>
Re-testing	No re-testing applies- shares that do not vest after testing lapse.
Exercise Price	Issue price (market price on grant date).
Disposal Restrictions	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
Forfeiture Conditions	<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>
Governance	<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>
Financial Year Outcomes	<p>After testing the vesting conditions, 50% of the 2016 LTI loan funded shares vested on 31 January 2019. Refer to pages 32 and 33 for further details.</p>

Table 3 on page 36 sets out the movements of loan funded shares during the financial year.

Linking Executive Remuneration and Performance

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				
	2018/19	2017/18	2016/17	2015/16	2014/15
Share price (\$) ¹	0.577	0.904	1.246	0.819	0.765
Dividends paid in the financial year (cps)	4.0	5.5	5.5	5.0	2.0 ⁴
TSR ²	-29.9%	-21.2%	61.7%	16.4%	26.2%
Pre-tax ROIC ³	12.2% ⁹	16.3% ¹¹	17.7% ⁹	14.8% ⁷	15.6% ⁵
EBIT (\$m)	\$76.2 ¹³	\$83.7 ¹²	92.0 ¹⁰	89.1 ⁸	78.4 ⁶
NPAT (\$m)	\$45.8 ¹³	\$55.0 ¹²	60.8 ¹⁰	59.2 ⁸	53.0 ⁶

- 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.
- TSR = (share price appreciation + dividends + value of franking credits) / Sigma share price at the start of financial year.
- Pre-tax ROIC = EBIT / (Total Shareholder Funds + Net Debt).
- An interim dividend was not paid during the 2014/15 financial year due to insufficient franking credits.
- Excludes acquisition costs and related earnings.
- Excludes acquisition costs.
- Adjusted for capital investment on new distribution centre, acquisition earn out costs and share of equity accounted investees.
- Adjusted for acquisition earn out costs and share of equity accounted investees.
- Adjusted for capital investment in ongoing construction of new distribution centres, business acquisitions and acquisition costs.
- Adjusted for the impact of the litigation settlement expense and profit of non-controlling interests.
- Adjusted for capital investment on new distribution centres and business acquisitions.
- Adjusted for profit from business acquisitions, acquisition costs and profit of non-controlling interests.
- Adjusted for litigation and due diligence costs, expenses from restructuring and profit of non-controlling interests.

Remuneration Report continued

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.

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 of \$45.8 million did not exceed the hurdle requirement to trigger the STI payment opportunity for the financial year. Therefore, with the exception of performance measures relating to safety, no STI payments occurred for the financial year. The safety KPI targeted at reducing Significant Lost Time Injuries (defined as lost time greater than five days) was met fully.

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

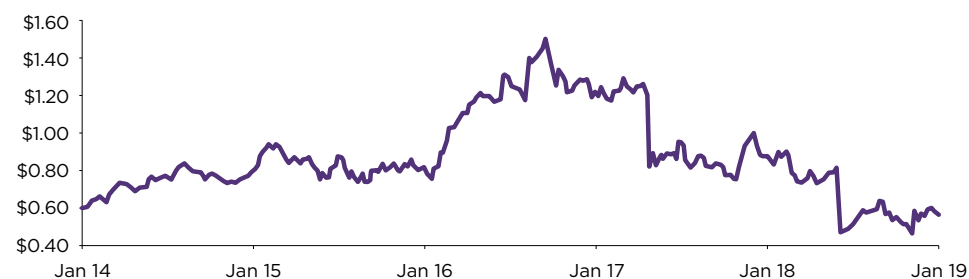
Executives	Maximum STI Opportunity as % of Fixed Remuneration	2018/19			2017/18		
		% STI Forfeited	% STI Paid	STI Payment \$	% STI Forfeited	% STI Paid	STI Payment \$
Mr M Hooper	100.0%	97.5%	2.5%	32,265	92.5%	7.5%	93,978
Ms I MacPherson	50.0%	50.0%	0.0%	-	50.0%	0.0%	-
Mr J Sells ¹	n/a	n/a	n/a	-	n/a	n/a	n/a
Total				32,265			93,978

1. Mr J Sells ceased to be KMP on 19 March 2018.

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 Company's share price movement over the past five financial years. The Company has maintained a high dividend payout ratio by making fully franked dividend payments of 22 cents.



2016 Long Term Incentive Plan

Under the 2016 LTI loan funded share plan, the Company is required to achieve an average pre-tax ROIC of 15% or a minimum absolute TSR of 30% during the three-year performance period for a 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 sets out the ROIC vesting outcome as approved by the Board:

Performance Period	Performance Measure	Vesting Condition	Actual Achievement	% of LTI Vested	% of LTI Forfeited
1 February 2016 to 31 January 2019	Average pre-tax ROIC	15% or higher	15.4%	50%	0%
	Absolute TSR	<30%, 0% vests ≥30%, 12.5% vests ≥40%, 25% vests ≥50%, 50% vests	-3.3%	0%	50%

Upon vesting, the loan funded shares will continue to be subject to forfeiture conditions as described on page 31. Executives may elect to exercise the vested shares within a two-year period (unless otherwise indicated) at the pre-determined exercise price as set out in the table below.

Executives	Lapsed/ Forfeited	Vested and Exercisable	Exercise Date	Exercise Price \$	Expiry Date
Mr M Hooper	2,362,653	2,362,653	1 February 2019	0.835	31 January 2021

Table 3 on page 36 sets out the details of the 2016 LTI plan vested to the Executive.

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 are subject to the Company's Share Trading Policy, which is published on the Company's website at www.sigmahealthcare.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 59% 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 ten-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 534 acceptances were received resulting in 8,605,000 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 purchases made during the financial year ended 31 January 2019 was \$6,454,923 (2018 \$6,623,071). The amounts receivable at balance date from Mr David Manuel and his Director-related entities included within trade debtors in Note 8 was \$1,117,161 (2018 \$907,453). 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
Ms I MacPherson	6 months	6 months
Mr J Sells	12 months	3 months ¹

1. Mr J Sells' notice period was increased to six months following his appointment to EGM Retail Pharmacy.

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 continued

TABLE 1: Statutory Remuneration Disclosure for Key Management Personnel of the Company and Group: Financial Year 2018/19

	Short Term Benefits			Post-employment Benefits			Value in Share-based Plans			Total Remuneration Incl. Value in Share-based Plans	Share-based Payments as Proportion of Remuneration ⁶	
	Salary and Base Fees ¹	Committee Fees	Cash Short Term Incentive ²	Non-monetary Benefits ³	Superannuation Benefits	Other Long Term Benefits ⁴	Termination Payments	Total Remuneration Excl. Value in Share-based Plans	Performance Rights			Loan Funded Shares ⁵
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors												
Mr B Jamieson	328,921	-	n/a	3,787	20,330	n/a	-	353,038	n/a	n/a	353,038	-
Mr D Bayes	126,302	70,168	n/a	3,787	18,665	n/a	-	218,922	n/a	n/a	218,922	-
Mr R Gunston	126,302	75,565	n/a	3,787	19,177	n/a	-	224,831	n/a	n/a	224,831	-
Mr D Manuel	126,302	21,590	n/a	3,787	14,050	n/a	-	165,729	n/a	n/a	165,729	-
Ms K Spargo	126,302	26,988	n/a	3,787	14,563	n/a	-	171,640	n/a	n/a	171,640	-
Ms C Bartlett	126,302	21,590	n/a	3,787	14,050	n/a	-	165,729	n/a	n/a	165,729	-
Subtotal for Non-Executive Directors	960,431	215,901	n/a	22,722	100,835	n/a	-	1,299,889	n/a	n/a	1,299,889	-
Executives												
Mr M Hooper	1,241,328	n/a	32,265	3,787	20,330	29,418	-	1,327,128	-	917,343	2,244,471	41
Ms I MacPherson	493,673	n/a	-	3,787	20,330	2,367	-	520,157	-	151,810	671,967	23
Mr J Sells ⁷	75,339	n/a	-	499	2,641	1,712	-	80,191	-	23,667	103,858	23
Subtotal for Executives	1,810,340	n/a	32,265	8,073	43,301	33,497	-	1,927,476	-	1,092,820	3,020,296	36
Total	2,770,771	215,901	32,265	30,795	144,136	33,497	-	3,227,365	-	1,092,820	4,320,185	25

1. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 25. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

2. Represents cash payments in respect to the 2018/19 STI plan.

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

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

5. 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.

6. Includes amounts expensed in relation to LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

7. Amounts disclosed reflect statutory remuneration from 1 February 2018 to 18 March 2018 when Mr J Sells ceased to be KMP on 19 March 2018.

TABLE 2: Statutory Remuneration Disclosure for Key Management Personnel of the Company and Group: Financial Year 2017/18

	Short Term Benefits				Post-employment Benefits	Value in Share-based Plans					Share-based Payments as Proportion of Remuneration ⁷	
	Salary and Base Fees ¹	Committee Fees	Cash Short Term Incentive ²	Non-monetary Benefits ³	Superannuation Benefits	Other Long Term Benefits ⁴	Termination Payments	Total Remuneration Excl. Value in Share-based Plans	Performance Rights ⁵	Loan Funded Shares ⁶		Total Remuneration Incl. Value in Share-based Plans
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Non-Executive Directors												
Mr B Jamieson	319,342	-	n/a	3,407	19,868	n/a	-	342,617	n/a	n/a	342,617	-
Mr D Bayes	122,770	68,205	n/a	3,407	18,143	n/a	-	212,525	n/a	n/a	212,525	-
Mr R Gunston	122,770	73,452	n/a	3,407	18,641	n/a	-	218,270	n/a	n/a	218,270	-
Mr D Manuel	122,770	20,986	n/a	3,407	13,657	n/a	-	160,820	n/a	n/a	160,820	-
Ms K Spargo	122,770	26,233	n/a	3,407	14,155	n/a	-	166,565	n/a	n/a	166,565	-
Ms C Bartlett	122,770	20,986	n/a	3,407	13,657	n/a	-	160,820	n/a	n/a	160,820	-
Subtotal for Non-Executive Directors	933,192	209,862	n/a	20,442	98,121	n/a	-	1,261,617	n/a	n/a	1,261,617	-
Executives												
Mr M Hooper	1,250,477	n/a	93,978	3,407	19,868	56,460	-	1,424,190	-	1,072,072	2,496,262	43
Mr G Dunne (ceased to be a KMP on 31 August 2017)	377,239	n/a	-	3,407	11,515	- ⁸	390,180 ⁸	782,341	-	369,131	1,151,472	32
Ms I MacPherson	475,170	n/a	-	3,407	19,868	1,241	-	499,686	-	110,200	609,886	18
Mr J Sells	583,047	n/a	-	3,407	19,868	25,458	-	631,780	-	324,751	956,531	34
Subtotal for Executives	2,685,933	n/a	93,978	13,628	71,119	83,159	390,180	3,337,997	-	1,876,154	5,214,151	36
Total	3,619,125	209,862	93,978	34,070	169,240	83,159	390,180	4,599,614	-	1,876,154	6,475,768	29

1. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 25. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

2. Represents cash payments in respect to the 2017/18 STI plan.

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

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

5. Indicates the discontinued STI deferred equity plan for comparative purposes.

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 LTI Loan Funded Shares. Excludes share purchases under the Non-Executive Directors Share Plan.

8. Includes salary, annual leave expenses and superannuation from 1 September 2017 to Mr G Dunne's termination date of 28 February 2018. No payment was made relating to long service leave as the statutory requirement was not met.

Remuneration Report continued

TABLE 3: LTI Loan Funded Shares: Details of Movement During the Financial Year 2018/19

Executive	Grant Date	Share Price at Grant \$	Fair Value Per Share \$	Exercise Price \$	Exercise Date ²	Number of Loan Funded Shares						Loan Value and Balance ³			
						Balance at 01/02/18 ⁴	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/19	Loan Value at Grant Date \$	Loan Balance at 01/02/18 \$	Loan Repayments During the Year ⁵ \$	Loan Balance at 31/01/19 \$
Mr M Hooper	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	6,623,452	-	-	-	6,623,452	-	4,437,713	3,357,144	3,357,144	-
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	6,848,292	-	-	-	-	6,848,292 ⁷	4,074,734	3,166,846	207,406	2,959,440
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	6,348,906	-	-	-	-	6,348,906	5,182,781	4,334,489	192,281	4,142,208
	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	4,725,306	-	2,362,653	2,362,653	-	2,362,653	3,945,631	3,563,556	1,853,333	1,710,223
	01/02/2017	1.2000	0.3000	1.2000	01/02/2020	4,315,153	-	-	-	-	4,315,153	5,178,184	5,002,187	130,687	4,871,500
	01/02/2018	0.9050	0.1600	0.9050	01/02/2021	-	5,648,964	-	-	-	5,648,964	5,112,312	5,112,312	171,082	4,941,230
Ms I MacPherson	01/02/2017	1.2000	0.3000	1.2000	01/02/2020	1,102,003	-	-	-	-	1,102,003	1,322,404	1,277,458	33,375	1,244,083
	01/02/2018	0.9050	0.1600	0.9050	01/02/2021	-	1,442,631	-	-	-	1,442,631	1,305,581	1,305,581	43,691	1,261,890
Mr J Sells ⁸	01/02/2013	0.6700	0.1160	0.6700	01/02/2016	1,928,982	-	-	-	-	1,928,982 ⁶	1,292,418	977,718	-	977,718
	01/02/2014	0.5950	0.1091	0.5950	01/02/2017	2,010,042	-	-	-	-	2,010,042	1,195,975	929,501	-	929,501
	01/02/2015	0.8000	0.1471	0.8000	01/02/2018	1,863,467	-	-	-	-	1,863,467	1,521,198	1,272,216	-	1,272,216
	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	1,450,108	-	-	-	-	1,450,108	1,210,840	1,093,588	-	1,093,588
	01/02/2017	1.2000	0.3000	1.2000	01/02/2020	1,324,240	-	-	-	-	1,324,240	1,589,088	1,535,078	-	1,535,078
	01/02/2018	0.9050	0.1600	0.9050	01/02/2021	-	1,733,562	-	-	-	1,733,562	1,568,874	1,568,874	-	1,568,874

- For accounting purposes, the fair value of the loan funded shares is calculated using the Black-Scholes option pricing model with Monte Carlo simulations.
- 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.
- Loan value and balance are rounded to the nearest whole number.
- 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, 2016 grant, 2017 and 2018 grant were satisfied through an on-market share acquisition.
- The loan repayments represent the value of post-tax dividends paid during the 2017/18 financial year that was applied to the outstanding loan balances, as well as any loan repayments made by the Executive or through forfeited shares.

- Taking into account the impact of My Chemist/Chemist Warehouse litigation on share price during the year, the Board considered it appropriate to extend the exercise period of the 2013 LTI plan by a further 12 months to 31 January 2019.
- Given the proposed acquisition by API, the Board consider it appropriate to mitigate the immediate need for KMP to enter into transactions of any kind in relation to Sigma equity by extending the exercise period of the 2014 LTI plan by a further 12 months to 31 January 2020.
- Ceased to be a KMP on 18 March 2018. The numbers at 31 January 2019 represents the balance at the date on which Mr J Sells ceased to be a KMP.

TABLE 4a: Shareholdings of Key Management Personnel

2019	Number of Shares at 01/02/2018	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 31/01/2019
Non-Executive Directors						
Mr B Jamieson	753,956	61,627	50,000	-	-	865,583
Mr D Bayes	326,112	37,992	-	-	-	364,104
Mr R Gunston	212,058	39,035	200,000	-	-	451,093
Mr D Manuel	211,192	28,598	-	-	-	239,790
Ms K Spargo	117,163	29,642	40,000	-	-	186,805
Ms C Bartlett	30,262	28,598	10,000	-	-	68,860
Subtotal for Non-Executive Directors	1,650,743	225,492	300,000	-	-	2,176,235
Executives						
Mr M Hooper	8,348,250	6,623,452	1,000,000	5,600,000	-	10,371,702
Ms I MacPherson	36,000	-	21,000	-	-	57,000
Mr J Sells ¹	2,191,144	-	-	-	-	2,191,144
Subtotal for Executives	10,575,394	6,623,452	1,021,000	5,600,000	-	12,619,846
Total	12,226,137	6,848,944	1,321,000	5,600,000	-	14,796,081
2018						
	Number of Shares at 01/02/2017	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 31/01/2018
Non-Executive Directors						
Mr B Jamieson	712,265	41,691	-	-	-	753,956
Mr D Bayes	300,410	35,259	-	9,557	-	326,112
Mr R Gunston	185,650	26,408	-	-	-	212,058
Mr D Manuel	191,844	19,348	-	-	-	211,192
Ms K Spargo	67,110	20,053	30,000	-	-	117,163
Ms C Bartlett	10,914	19,348	-	-	-	30,262
Subtotal for Non-Executive Directors	1,468,193	162,107	30,000	9,557	-	1,650,743
Executives						
Mr M Hooper	8,948,250	-	-	600,000	-	8,348,250
Mr G Dunne ²	169,623	2,164,661	-	2,164,661	-	169,623
Ms I MacPherson	-	-	36,000	-	-	36,000
Mr J Sells	2,041,144	-	600,000	450,000	-	2,191,144
Subtotal for Executives	11,159,017	2,164,661	636,000	3,214,661	-	10,745,017
Total	12,627,210	2,164,661	828,107	3,224,218	-	12,395,760

1. Ceased to be a KMP on 18 March 2018. The number of shares at 31 January 2019 represents the balance at the date on which Mr J Sells ceased to be a KMP.

2. Ceased to be a KMP on 31 August 2017. The number of shares at 31 January 2018 represents the balance at the date on which Mr G Dunne ceased to be a KMP.

Remuneration Report continued

TABLE 4b: Performance Rights and Options (Loan Funded Shares) Holdings of Key Management Personnel

2019	Number of Rights/Options at 01/02/2018	Number of Rights/Options Granted Through Share Plans During the Year	Number of Rights/Options Exercised During the Year	Number of Rights/Options Lapsed/Forfeited During the Year	Number of Rights/Options at 31/01/2019
Non-Executive Directors					
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	n/a	n/a	n/a	n/a	n/a
Subtotal for Non-Executive Directors	n/a	n/a	n/a	n/a	n/a
Executives					
Mr M Hooper	28,902,221	5,663,964	6,623,452	2,362,653	25,580,080
Ms I MacPherson	1,109,503	1,457,631	-	-	2,567,134
Mr J Sells ¹	8,617,951	1,733,562	-	-	10,351,513
Subtotal for Executives	38,629,675	8,855,157	6,623,452	2,362,653	38,498,727
Total	38,629,675	8,855,157	6,623,452	2,362,653	38,498,727
2018					
	Number of Rights/Options at 01/02/2017	Number of Rights/Options Granted Through Share Plans During the Year	Number of Rights/Options Exercised During the Year	Number of Rights/Options Lapsed/Forfeited During the Year	Number of Rights/Options at 31/01/2018
Non-Executive Directors					
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	n/a	n/a	n/a	n/a	n/a
Subtotal for Non-Executive Directors	n/a	n/a	n/a	n/a	n/a
Executives					
Mr M Hooper	24,709,138	4,322,653	-	129,570	28,902,221
Mr G Dunne ²	5,794,472	1,426,328	2,164,661	2,217,817 ³	2,838,322
Ms I MacPherson	-	1,109,503	-	-	1,109,503
Mr J Sells	7,324,241	1,331,740	-	38,030	8,617,951
Subtotal for Executives	37,827,851	8,190,224	2,164,661	2,385,417	41,467,997
Total	37,827,851	8,190,224	2,164,661	2,385,417	41,467,997

1. Ceased to be a KMP on 18 March 2018. The number of shares at 31 January 2019 represents the balance at the date on which Mr J Sells ceased to be a KMP.

2. Ceased to be a KMP on 31 August 2017. 31 January 2018 balances represent the balances at Mr G Dunne's termination date of 28 February 2018.

3. Represents rights/options forfeited as a result of Mr G Dunne's termination.

Auditor's Independence Declaration

Deloitte.

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

20 March 2019

Dear Board Members

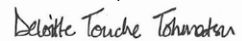
Sigma Healthcare Limited

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 Healthcare Limited.

As lead audit partner for the audit of the financial statements of Sigma Healthcare Limited for the year ended 31 January 2019, 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



Andrew Reid
Partner
Chartered Accountants

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

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2019

	Note	2019 \$'000	2018 \$'000
Sales revenue	2	3,976,774	4,094,440
Cost of goods sold		(3,703,580)	(3,810,077)
Gross profit		273,194	284,363
Other revenue	2	99,454	83,478
Warehousing and delivery expenses		(167,696)	(145,055)
Sales and marketing expenses		(64,799)	(64,343)
Administration expenses		(63,603)	(65,609)
Depreciation and amortisation	3	(13,522)	(9,087)
Profit before financing costs and tax expense (EBIT)		63,028	83,747
Finance income		776	1,462
Finance costs		(11,846)	(6,474)
Net finance costs		(11,070)	(5,012)
Profit before income tax		51,958	78,735
Income tax expense	4	(14,917)	(23,349)
Profit for the year		37,041	55,386
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net change in fair value of financial asset		(750)	833
Exchange differences on translation of foreign operations		83	(139)
Income tax relating to components of other comprehensive income		200	(208)
Other comprehensive income/(loss) for the year (net of tax)		(467)	486
Total comprehensive income for the year		36,574	55,872
<i>Profit attributable to:</i>			
Owners of the Company		36,520	55,059
Non-controlling interest	19	521	327
Profit for the year		37,041	55,386
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		36,053	55,545
Non-controlling interest	19	521	327
Total comprehensive income for the year		36,574	55,872
Earnings per share (cents) attributable to owners of the Company			
Basic earnings per share	5	3.8	5.6
Diluted earnings per share	5	3.6	5.2

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Balance Sheet

For the year ended 31 January 2019

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	29	72,610	82,249
Trade and other receivables	8	577,367	577,870
Inventories	9	343,272	350,469
Income tax receivable		3,034	3,819
Prepayments		7,926	6,376
Assets classified as held for sale	11	-	9,123
Total current assets		1,004,209	1,029,906
Non-current assets			
Trade and other receivables	8	6,306	868
Property, plant and equipment	11	224,141	128,515
Goodwill and other intangible assets	12	125,514	125,371
Investments		3,025	-
Other financial assets		1,542	2,292
Net deferred tax assets	4	19,117	17,775
Total non-current assets		379,645	274,821
Total assets		1,383,854	1,304,727
Current liabilities			
Trade and other payables	10	528,252	565,292
Borrowings	16	115,003	195,014
Provisions	13	17,573	17,530
Deferred income		2,487	3,159
Total current liabilities		663,315	780,995
Non-current liabilities			
Other payables	10	183	344
Borrowings	16	200,787	788
Provisions	13	4,468	4,777
Deferred income		821	2,564
Total non-current liabilities		206,259	8,473
Total liabilities		869,574	789,468
Net assets		514,280	515,259
Equity			
Contributed equity	14	1,207,794	1,200,755
Reserves	15	13,832	14,272
Accumulated losses		(708,372)	(701,919)
Non-controlling interest	19	1,026	2,151
Total equity		514,280	515,259

The above Consolidated Balance Sheet is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 January 2019

	Note	Contributed Equity			Reserves			Accumulated Losses \$'000	Non-controlling Interest \$'000	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			
Balance at 1 February 2017		1,299,156	(72,252)	(29)	310	5,147	5,124	(700,693)	1,824	538,587
Profit for the year		-	-	-	-	-	-	55,059	327	55,386
Other comprehensive income		-	-	583	(97)	-	-	-	-	486
Total comprehensive income for the year		-	-	583	(97)	-	-	55,059	327	55,872
Transactions with owners in their capacity as owners:										
Employee shares exercised	14(b)	-	4,443	-	-	-	-	-	-	4,443
Share-based remuneration plans	28	-	-	-	-	3,079	-	-	-	3,079
Share buy-back	14(a),(b)	(12,019)	(18,667)	-	-	-	-	-	-	(30,686)
Dividends paid	6	-	-	-	-	-	3,636	(58,838)	-	(55,202)
Dividends applied to equity compensation plan		-	-	-	-	-	(844)	-	-	(844)
Reclassification of settled and expired share-based transactions		-	94	-	-	(2,399)	(248)	2,553	-	-
Income tax relating to transactions with owners		-	-	-	-	-	10	-	-	10
		(12,019)	(14,130)	-	-	680	2,554	(56,285)	-	(79,200)
Balance at 31 January 2018		1,287,137	(86,382)	554	213	5,827	7,678	(701,919)	2,151	515,259
Adjustment on adoption of AASB 9	30(b)	-	-	-	-	-	-	(4,003)	-	(4,003)
Adjustment on adoption of AASB 15	30(b)	-	-	-	-	-	-	687	-	687
Balance at 1 February 2018		1,287,137	(86,382)	554	213	5,827	7,678	(705,235)	2,151	511,943
Profit for the year		-	-	-	-	-	-	36,520	521	37,041
Other comprehensive income		-	-	(525)	58	-	-	-	-	(467)
Total comprehensive income for the year		-	-	(525)	58	-	-	36,520	521	36,574
Transactions with owners in their capacity as owners:										
Employee shares exercised	14(b)	-	11,208	-	-	-	-	-	-	11,208
Share-based remuneration plans	28	-	-	-	-	2,278	-	-	-	2,278
Share buy-back	14(a),(b)	(893)	(3,251)	-	-	-	-	-	-	(4,144)
Dividends paid	6	-	-	-	-	-	2,951	(42,286)	(1,646)	(40,981)
Dividends applied to equity compensation plan		-	-	-	-	-	(2,598)	-	-	(2,598)
Reclassification of settled and expired share-based transactions		-	(25)	-	-	(2,680)	(697)	3,402	-	-
Income tax relating to transactions with owners		-	-	-	-	-	773	(773)	-	-
		(893)	7,932	-	-	(402)	429	(39,657)	(1,646)	(34,237)
Balance at 31 January 2019		1,286,244	(78,450)	29	271	5,425	8,107	(708,372)	1,026	514,280

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 financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 January 2019

	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		4,506,712	4,609,326
Payments to suppliers and employees		(4,474,646)	(4,502,942)
Interest received		776	1,462
Interest paid		(11,099)	(6,257)
Income taxes paid		(13,273)	(30,408)
Net cash inflow from operating activities	29	8,470	71,181
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles		(108,163)	(68,025)
Acquisition of subsidiaries, net of cash acquired		(683)	(27,267)
Payments to acquire financial assets		(3,025)	-
Proceeds from sale of property, plant and equipment		10,265	784
Net cash outflow from investing activities		(101,606)	(94,508)
Cash flows from financing activities			
Net proceeds from/(repayments of) borrowings		119,988	194,772
Payments for shares bought back	14(a)	(893)	(12,019)
Purchase of Sigma shares for employees	14(b)	(3,251)	(18,667)
Proceeds from employee shares exercised	14(b)	8,609	4,443
Dividends paid	6	(40,981)	(55,202)
Net cash inflow from financing activities		83,472	113,327
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents held at the beginning of the financial period		82,249	(7,726)
Effects of exchange rate changes on cash and cash equivalents		25	(25)
Cash and cash equivalents at the end of the financial period	29	72,610	82,249

The above Consolidated Statement of Cash Flows is to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 January 2019

About this report

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

Sigma Healthcare Limited (the 'Company') is a for-profit company incorporated and domiciled in Australia. The financial report was authorised for issue by the Directors on 20 March 2019.

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);
- in order to conform with the current period's presentation, certain comparatives have been re-classified;
- 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 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 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

The adoption of two new accounting standards, AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers*, for the year ended 31 January 2019 impacted the measurement and disclosure in these financial statements. Refer to Note 2, Note 8, Note 30 and the consolidated statement of changes in equity for the impacts of adopting these standards on the Group.

Refer Note 30 for details of other new accounting standards and interpretations, as well as standards issued but not yet effective.

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
Impairment of goodwill	12

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
2. Sales and Other Revenue
3. Expenses
4. Taxation
5. Earning Per Share
6. Dividends
7. Subsequent Events

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 22 to 38. For the year ended 31 January 2019, 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 Pharmacy Retail Group, NostraData Pty Ltd, MPS Hold Co. Pty Ltd and Medical Industries Australia Hold Co. Pty Ltd within the Healthcare segment. Central Healthcare Group, Discount Pharmacy Retail Group, NostraData Pty Ltd, MPS Hold Co. Pty Ltd and Medical Industries Australia Hold Co. Pty Ltd (MIA) 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, depreciation and amortisation adjusted for the effects of significant non-operating items (Underlying EBITDA) to assess the operating performance of the business. The Group deems Underlying EBITDA to be the most relevant measure of operating performance in the short to medium term, as the significant capital expenditure program currently in progress will result in an increase in depreciation and amortisation expense in the medium term as construction of distribution centres complete and operations commence.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Financial Performance continued

1. Segment Information continued

Segment Information Provided to the CODM continued

Underlying EBITDA reconciles to profit before tax for the Group as follows:

	2019 \$'000	2018 \$'000
Underlying EBITDA attributable to owners of the Company	89,673	99,339
Add: Non-controlling interests before interest and tax	855	409
Less: Restructuring and dual operating costs before tax	(13,115)	(3,715)
Less: Litigation and due diligence costs before tax	(863)	(3,199)
Less: Net finance costs	(11,070)	(5,012)
Less: Depreciation and amortisation	(13,522)	(9,087)
Profit before income tax	51,958	78,735

Geographical Segments

The Group operates predominantly within Australia.

Information on Major Customers

One customer group contributed revenues which forms 43% of the Group revenues (2018: 41%). This customer has a service contract in place until June 2019. Sales revenue for the period to 31 January 2019 was \$1,699.5 million (2018: \$1,660.0 million).

2. Sales and Other Revenue

	2019 \$'000	2018 \$'000
Sales revenue	3,976,774	4,094,440
Other revenue		
Commissions and fees	39,499	22,327
Membership revenue	12,854	13,710
Marketing services and promotional revenue	37,057	38,551
Sundry revenue	8,972	8,499
Profit/(Loss) on sale of property, plant and equipment	1,072	391
Total other revenue	99,454	83,478

Recognition and Measurement

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the revenue streams summarised above and in the tables below.

The presentation of revenue and other income is consistent with the revenue information that is disclosed for segment reporting (refer to Note 1) as the Group has one reportable segment.

For each revenue stream, the Group has assessed the recognition, including the timing, of revenue in accordance with AASB 15 *Revenue from Contracts with Customers*. A summary of the nature, performance obligations under the relevant contracts and timing of revenue recognition by stream is summarised below.

Sales Revenue

Revenue Stream	Description	Performance Obligation	Timing of Recognition
Sale of goods	Sales of goods to customers, which include an agreed period over which the inventory can be returned.	Delivery of good to customer	Point in time
	Consideration recognised is net of settlement credits and a provision for returns.		
CSO income	Income earned from the Government to fulfil minimum delivery requirements for specified medicines to pharmacies in accordance with the Community Pharmacy Agreement (CPA).	Compliance with obligations of the CPA	Over time

Other Revenue

Revenue Stream	Description	Performance Obligation	Timing of Recognition
Commissions and fees	Fees billed for services performed by the Group, including deliveries of dangerous goods and administration of discounts on products sold.	Completion of services to be provided	Point in time
Packaging services fees	Income received for the provision of dose administration services.	Provision of dose administration service to customer	Point in time
Membership revenue	Fees received to provide access to use of the intellectual property associated with the Group's banners.	Over the term of the licence agreement	Over time
Marketing services and promotional revenue	Income received from suppliers for promotional and advertising services rendered.	Completion of services to be rendered	Point in time
Sundry revenue	Revenue from other services provided, including provision of data and other licencing fees.	Completion of the service requirements	Over time

Contract Costs

The Group provides upfront incentives to franchisees upon signing of the franchise agreement. These costs represent incremental costs of obtaining a contract and are deferred and amortised over the life of the agreements.

3. Expenses

	Note	2019 \$'000	2018 \$'000
Profit before tax includes the following specific expenses:			
Employee benefits expense		153,837	140,050
Defined contribution plans		9,815	9,294
Employee share-based payments expense	28	2,278	3,079
Total employee benefits expense		165,930	152,423
Amortisation – brand names	12	485	484
Amortisation – software	12	4,522	2,599
Depreciation – buildings	11	866	560
Depreciation – plant and equipment	11	7,649	5,444
Total depreciation and amortisation		13,522	9,087
Write down of inventories to net realisable value		8,862	4,749
Net impairment loss on trade debtors		992	987
Rental expenses on operating leases		13,147	11,385

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 provisions for employee benefits and details of 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 2019

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

	2019 \$'000	2018 \$'000
(a) Income Tax Expense		
Current tax	15,217	26,318
Deferred tax	650	(2,658)
Adjustments for current income tax of prior periods	(950)	(311)
Total income tax expense	14,917	23,349
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable		
Profit before income tax	51,958	78,735
Tax at the Australian company tax rate of 30% (2018: 30%)	15,587	23,621
Tax effect of differential corporate tax rates	14	(1)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Other items	(1,354)	(389)
Amounts under/(over) provided in prior periods	670	118
Total income tax expense	14,917	23,349

	2019 \$'000	2018 \$'000
(c) Amounts Recognised Directly in Equity		
Net change in fair value of financial asset	(225)	(250)
Exchange differences on translation of foreign operations	25	42
Total amounts recognised directly in equity	(200)	(208)
(d) Deferred Tax		
Trade and other receivables	5,710	5,407
Inventories	3,062	2,350
Trade and other payables and accruals	2,581	4,421
Provisions for employee benefits	6,613	6,626
Intangible assets	(365)	(401)
Property, plant and equipment	(646)	(2,462)
Other	2,162	1,834
Net deferred tax assets	19,117	17,775
Deferred tax assets	20,173	20,875
Deferred tax liabilities	(1,056)	(3,100)
Net deferred tax assets	19,117	17,775

All movements in temporary differences above have been charged to income except for exchange differences on foreign operations and tax on the fair value change of investments, which were recognised in other comprehensive income. Included in net deferred tax assets in the prior period is \$656,000 recognised on the acquisition of MPS Hold Co. Pty Ltd and Medical Industries Australia Hold Co. Pty Ltd. Included in net deferred tax assets in the current period is the impact from the adoption of AASB 9 in the amount of \$1,715,000. Refer to Note 30(b).

Unrecognised Deferred Tax Losses

Deferred tax assets have not been recognised in respect of capital losses of \$217,080,945 tax effected (2018: \$216,625,000) 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 predominantly 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 periods.

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 Healthcare 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. Refer to Note 20 for disclosure of the wholly-owned subsidiaries which are members of 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Financial Performance continued

5. Earnings Per Share

	2019	2018
(a) Basic and Diluted Earnings Per Share		
Basic (cents per share)	3.8	5.6
Diluted (cents per share)	3.6	5.2
(b) Reconciliation of Earnings Used in Calculating Basic and Diluted Earnings Per Share		
Profit attributable to owners of the Company (\$'000's)	36,520	55,059
(c) Weighted Average Number of Shares Used as the Denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (No. '000's)	965,331	982,924
<i>Adjustments for calculation of diluted earnings per share:</i>		
Performance rights/options (No. '000's)	36,096	57,635
Effect of shares held under Sigma Employee Share Plan (No. '000's)	9,449	13,779
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (No. '000's)	1,010,876	1,054,338

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

	2019		2018	
	Cents Per Share	\$'000	Cents Per Share	\$'000
Recognised amounts				
Final dividend – prior year	2.5	26,516	3.0	32,257
Interim dividend – current year	1.5	15,893	2.5	26,607
Dividends recognised by the parent entity		42,409		58,864
Less: dividends paid on the shares held by Sigma Employee Share Plan		(123)		(26)
Less: dividends paid on the shares under the Sigma Employee Share Plan		(2,951)		(3,636)
Dividends recognised by non-controlling interests		1,646		-
Dividends paid by the Group		40,981		55,202

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 2.0 cents per share fully franked. The ex-dividend date is 3 April 2019, the record date is 4 April 2019 and it is expected to be paid on 29 April 2019. The total amount payable is \$21.2 million.

	2019	2018
	\$'000	\$'000
Dividend franking account		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2018: 30%)	16,030	20,399

The above amounts represent the balance of the franking account as at the end of the year, adjusted for franking credits in relation to the receipt of the amount of the current income tax asset.

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 \$9,080,923 (2018: \$11,364,153).

7. Subsequent events

Subsequent to 31 January 2019, the following events and transactions have occurred:

Redundancies and site closures

Since the end of the year, a structured timeline for the transition of the MyChemist/Chemist Warehouse (MC/CW) Group to other suppliers has been agreed. As a result of the impact this will have on business volume, the Group has announced job reductions at its distribution centres and the intention to close regional distribution centres in Shepparton (Victoria), Newcastle (New South Wales) and Launceston (Tasmania) by the third quarter of 2019. Although unfortunate, these changes are necessary to support the efficient exit of the MC/CW Group and contribute in part to reducing operating costs by more than \$100 million over the next two years.

Settlement of legal matter

Since the end of the year, the Company settled a longstanding legal claim made by the Company against a supplier. The terms of the settlement are confidential; however, the Company will receive a cash settlement in excess of currently capitalised legal expenses relating to the matter.

API proposal

As disclosed to the ASX on 14 December 2018, the Company received a non-binding indicative proposal from Australian Pharmaceuticals Industries (API) to acquire all the shares in Sigma, via a scheme of arrangement, for 0.31 API shares plus \$0.23 cents in cash for each Sigma share held. Following a detailed assessment of the future potential of the Group on a standalone basis, on 13 March 2019 the Company announced that it had concluded that the API proposal is not in the best interests of Sigma shareholders and was not recommended.

Dividend

Since the end of the year, the Directors have resolved to pay a final dividend of 2.0 cents per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 January 2019. The ex-dividend date is 3 April 2019, the record date is 4 April 2019 and it is expected to be paid on 29 April 2019. The total amount payable is \$21.2 million.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 January 2019 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.

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

	Note	2019 \$'000	2018 \$'000
Current			
Trade receivables		567,389	567,284
Provision for impairment of trade receivables		(17,962)	(16,796)
Other receivables		27,940	27,382
Total current receivables		577,367	577,870
Non-current			
Trade receivables		5,219	868
Other loans receivable		1,087	-
Total non-current receivables		6,306	868
Movements in the provision for impairment of trade receivables:			
Carrying value at the beginning of the year		16,796	14,445
Impact of adoption of AASB 9	30(b)	5,718	-
Provision raised during the year		3,166	2,981
Receivables written off during the year as uncollectible		(7,718)	(630)
Carrying value at the end of the year		17,962	16,796

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Operating Assets and Liabilities continued

8. Trade and Other Receivables continued

Trade Receivables

Trade and other receivables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment (expected credit losses). 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.

Impairment of Trade Receivables

The Group measures the provision for expected credit losses (ECL) using the simplified approach to measuring ECL, which uses a lifetime expected loss allowance for all trade receivables. The Group determines lifetime expected credit losses for groups of trade receivables with shared credit risk characteristics. Groupings are based on customer, trading terms and ageing.

An expected credit loss rate is determined for each group, based on the historic credit loss rates for the group, adjusted for other current observable data that may materially impact the Group's future credit risk. This other observable data includes the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

2019	Not Due \$'000	0–30 Days \$'000	31–60 Days \$'000	60+ Days \$'000	Total \$'000
Trade receivables – total	541,536	10,240	3,780	17,052	572,608
Provision for expected credit losses – total	6,991	250	869	9,852	17,962

The provision for expected credit losses at 31 January 2019 has been determined in a manner consistent with the methodology adopted on 1 February 2018 and there have been no changes in the estimation techniques or significant assumptions made during the current period.

For information on the Group's credit risk management refer to Note 17.

9. Inventories

	2019 \$'000	2018 \$'000
At cost		
Finished goods	352,980	358,671
Provision for obsolescence	(9,708)	(8,202)
Net inventories	343,272	350,469

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.

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

	2019 \$'000	2018 \$'000
Current		
Trade payables	492,804	526,512
Other payables and accruals	35,448	38,780
Total current payables	528,252	565,292
Non-current		
Other payables and accruals	183	344
Total non-current payables	183	344

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 to 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 financial risks associated with trade and other payables refer to Note 17.

11. Property, Plant and Equipment

	Note	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
At 1 February 2017				
Cost		50,467	83,408	133,875
Accumulated depreciation		(8,643)	(47,362)	(56,005)
Net book amount		41,824	36,046	77,870
Year ended 31 January 2018				
Opening net book amount		41,824	36,046	77,870
Additions		35,432	26,860	62,292
Acquisition of subsidiaries		-	3,873	3,873
Transfer to assets held for sale		(8,280)	(843)	(9,123)
Disposals		(284)	(109)	(393)
Depreciation	3	(560)	(5,444)	(6,004)
Closing net book amount		68,132	60,383	128,515
At 31 January 2018				
Cost		70,726	107,167	177,893
Accumulated depreciation		(2,594)	(46,784)	(49,378)
Net book amount		68,132	60,383	128,515
Year ended 31 January 2019				
Opening net book amount		68,132	60,383	128,515
Additions		59,166	44,978	104,144
Disposals		-	(3)	(3)
Depreciation	3	(866)	(7,649)	(8,515)
Closing net book amount		126,432	97,709	224,141
At 31 January 2019				
Cost		129,891	151,679	281,570
Accumulated depreciation		(3,459)	(53,970)	(57,429)
Net book amount		126,432	97,709	224,141

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Operating Assets and Liabilities continued

11. Property, Plant and Equipment continued

Capital Work in Progress

Included in property, plant and equipment at 31 January 2019 is \$64,606,000 of capital work in progress (\$32,987,000 in land and buildings and \$31,619,000 in plant and equipment). The majority of this balance relates to the construction of the Kemps Creek distribution centre in New South Wales.

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 to 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal 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).

Assets Classified as Held for Sale

Reported in the prior period were the assets of the Mansfield, Queensland distribution centre which was committed for sale as at 31 January 2018. During the year this site was sold to a third party and the assets derecognised prior to 31 January 2019.

	2019 \$'000	2018 \$'000
Property, plant and equipment	-	9,123

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs of disposal, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets which are specifically exempt from this requirement.

12. Goodwill and Other Intangible Assets

	Note	Intangibles			Total \$'000	
		Goodwill \$'000	Brand Names \$'000	Software \$'000		Other Intangibles ¹ \$'000
At 1 February 2017						
Cost		80,789	25,882	15,820	940	123,431
Accumulated amortisation		-	(11,891)	(7,906)	(940)	(20,737)
Net book amount		80,789	13,991	7,914	-	102,694
Year ended 31 January 2018						
Opening net book amount		80,789	13,991	7,914	-	102,694
Additions		-	2	5,731	-	5,733
Acquisition through business combinations	18	12,295	-	7,818	-	20,113
Foreign currency movements		-	(86)	-	-	(86)
Amortisation	3	-	(484)	(2,599)	-	(3,083)
Closing net book amount		93,084	13,423	18,864	-	125,371
At 31 January 2018						
Cost		93,084	25,533	29,369	940	148,926
Accumulated amortisation		-	(12,110)	(10,505)	(940)	(23,555)
Net book amount		93,084	13,423	18,864	-	125,371
Year ended 31 January 2019						
Opening net book amount		93,084	13,423	18,864	-	125,371
Additions		-	-	5,096	-	5,096
Foreign currency movements		-	54	-	-	54
Amortisation	3	-	(485)	(4,522)	-	(5,007)
Closing net book amount		93,084	12,992	19,438	-	125,514
At 31 January 2019						
Cost		93,084	25,797	34,465	940	154,286
Accumulated amortisation		-	(12,805)	(15,027)	(940)	(28,772)
Net book amount		93,084	12,992	19,438	-	125,514

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. Intangible 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Operating Assets and Liabilities continued

12. Goodwill and Other Intangible Assets continued

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:

	Note	2019 \$'000	2018 \$'000
Goodwill allocation to cash generating units			
Sigma		28,834	28,834
Central Healthcare Group (CHS)		18,434	18,434
Discount Pharmacy Retail Group (DPRG)		27,364	27,364
NostraData		6,157	6,157
Medical Packaging Systems (MPS)		3,770	3,770
Medical Industries Australia (MIA)		8,525	8,525
Total Goodwill	18	93,084	93,084

Impairment Testing of Goodwill

DPRG, MPS, MIA and NostraData

The recoverable amount of the DPRG, MPS, MIA and NostraData CGUs has been determined based on value in use (ViU) calculations which use cash flow projections covering a five-year period, with cash flows beyond this period extrapolated using a long-term growth rate.

The cash flows for the five-year period are based on budgets approved by management and the long-term growth rate used is 2.5% (2018: 2.5%), which does not exceed long-term industry growth rates. These cash flows have been discounted using a pre-tax risk adjusted discount rate of between 11.1% and 12.0% (2018: 11.2% – 12.2%).

For these CGUs, management 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.

Sigma CGU and CHS CGU

The Group has tested the Sigma and CHS CGU's for impairment at 31 January 2019, applying the Fair Value Less Costs of Disposal (FVLCD) basis using a discounted cash flow valuation model. For both CGU's this is consistent with the half year 31 July 2018 and for CHS consistent with prior year.

Sigma CGU

Impairment testing was undertaken on the Sigma CGU by comparing its recoverable amount to its carrying amount. The recoverable value is 109% of the carrying value of the CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the Sigma CGU goodwill and other non-cash assets.

- **Cash flow forecasts:** covering a period of five years – the cash flows across the first four years are based on current financial forecast approved by the Board with the remaining year extrapolated using a growth rate of 3.0%. The cash flows in the forecast include the Group's plans for cost rationalisation, procurement and other savings initiatives in response to the cessation of its contract with the My Chemist/Chemist Warehouse (MC/CW) Group. These plans have been derived with the support of an external consulting firm and also consider the costs associated with executing the program. The forecast includes the return of working capital from the cessation of the contract but does not reflect any cash flows from the re-investment of this working capital return.
- **Terminal value:** is calculated using a long-term growth rate based on the cash flow forecast for year five. The long-term growth rate applied is 2.5%, which is based on management expectations of the CGU's long term performance after considering current conditions and available external market data.
- **Discount rates:** Cash flow forecasts have been discounted using a pre-tax risk adjusted discount rate of 12.7%.

Management have assessed that the Sigma CGU is sensitive to reasonable changes in the following key assumptions:

- The cash flow forecast assumptions, specifically, if the cost savings and restructuring initiatives are not achieved effectively and efficiently and consequently do not mitigate the impact of the loss of the MC/CW Group. If the cash inflows from these initiatives included in the CGU are 12% less than forecast, then the carrying value of the CGU would equal its recoverable amount.
- Pre-tax discount rate (12.7%) – if this pre-tax discount rate was 14.0% the carrying value of the CGU would equal its recoverable amount.
- Long-term growth rate (2.5%) – if this growth rate was 1.2% the carrying value of the CGU would equal its recoverable amount.

CHS CGU

Impairment testing was undertaken on the CHS CGU by comparing its recoverable amount to its carrying amount. The recoverable value is 108% of the carrying value of the CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the CHS CGU goodwill and other non-cash assets.

- **Cash flow forecasts:** covering a period of five years – the first year is based on the current financial forecast approved by the Board, with the remaining four years being extrapolated using a long-term growth rate not exceeding 3.0%. The forecast also includes cost rationalisation, procurement and other savings initiatives over the five-year period, as well as revenue arising from expected new third-party and fourth-party logistics business development initiatives.
- **Terminal value:** The terminal value is calculated using a long-term growth rate based on the cash flow forecast for year five. The long-term growth rate applied is 2.5%, which is based on management expectations of the CGU's long term performance after considering current conditions and available external market data.
- **Discount rates:** Cash flow forecasts have been discounted using a pre-tax risk adjusted discount rate of 12.8%.

Management have assessed that the CHS CGU is sensitive to reasonable changes in the following key assumptions:

- Business performance – which includes not achieving the cost savings and revenue growth from restructuring initiatives and business development activities included in the cash flow forecasts. If the cash inflows from these initiatives included in the CGU are 13% less than forecast then the carrying value of the CGU would equal its recoverable amount.
- Pre-tax discount rate (12.8%) – if this discount rate was 13.6% the carrying value of the CGU would equal its recoverable amount.
- Long-term growth rate (2.5%) – if this growth rate was 1.8% the carrying value of the CGU would equal its recoverable amount.

13. Provisions and Contingencies

Provisions

	2019 \$'000	2018 \$'000
Current		
Employee benefits	16,033	16,521
Lease make good	568	536
Other provisions	972	473
Total current provisions	17,573	17,530
Non-current		
Employee benefits	1,596	1,905
Lease make good	2,872	2,872
Total non-current provisions	4,468	4,777

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 the 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Operating Assets and Liabilities continued

13. Provisions and Contingencies continued

Provisions continued

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.

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

	2019 \$'000	2018 \$'000
Issued capital:		
Ordinary shares fully paid	1,286,244	1,287,137
Issued capital held by equity compensation plan:		
Treasury shares	(78,450)	(86,382)
Total contributed capital	1,207,794	1,200,755

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

	No. of Shares	\$'000
Balance at 1 February 2017	1,075,238,394	1,299,156
Shares bought on market	(14,584,073)	(12,019)
Balance at 31 January 2018	1,060,654,321	1,287,137
Shares bought on market	(1,213,248)	(893)
Balance at 31 January 2019	1,059,441,073	1,286,244

(b) Movements in Treasury Share Capital

	No. of Shares	\$'000
Balance at 1 February 2017	(86,714,246)	(72,252)
Shares bought on market	(19,249,918)	(18,667)
Employee shares exercised	7,654,900	4,443
Reclassification of settled and expired share-based transactions	-	94
Balance at 31 January 2018	(98,309,264)	(86,382)
Shares bought on market	(4,260,414)	(3,251)
Employee shares exercised	15,215,007	11,208
Reclassification of settled and expired share-based transactions	-	(25)
Balance at 31 January 2019	87,354,671	(78,450)

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 minimise 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. During March 2018, the buy-back was refreshed to provide capacity to buy-back a further 10% of issued ordinary shares.

A total of 1,213,248 (2018: 14,584,073) shares were bought back during the year at a total cost of \$893,000 (2018: \$12,019,000). The average price paid was \$0.74 (2018: \$0.82). Of the 1,213,248 shares bought back during the year, the Group has cancelled all shares in the current period.

15. Reserves

	2019 \$'000	2018 \$'000
Reserves:		
Fair value reserve	29	554
Foreign currency translation reserve	271	213
Options/performance rights reserve	5,425	5,827
Employee share reserve	8,107	7,678
Total	13,832	14,272

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Capital Structure and Financing continued

15. Reserves continued

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 on 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

	2019 \$'000	2018 \$'000
Current		
Secured bank overdraft	-	-
Secured loans/cash advance facilities	3	14
Other secured loans	115,000	195,000
Total current borrowings	115,003	195,014
Non-current		
Secured loans/cash advance facilities	200,000	-
Other secured loans	37	38
Unsecured loans	750	750
Total non-current borrowings	200,787	788

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 Debt Facility

In December 2018 the Company refinanced its debt facility with the Westpac Banking Corporation. The renewed facility includes:

- Tranche A – an overdraft facility of \$135 million (previously \$170 million). This expires 31 May 2020. Tranche A is unused at balance date.
- Tranche B – a cash advance facility of \$250 million (previously \$200 million). This expires 31 May 2021. Tranche B has \$200 million drawn down at balance date. This amount is classified as non-current borrowings in 'Secured cash advance facilities'.
- Tranche C – a cash advance facility of \$115 million. This new cash advance facility expires on 30 November 2019, in line with the expected return of capital from the exit of the MC/CW contract. It is fully drawn at balance date and is classified as current borrowings in 'secured cash advance facilities'.

The debt facility is secured using eligible trade receivables of Sigma Healthcare Limited and Central Healthcare Services Pty Ltd. The facility imposes rights and obligations on the Group with respect to the quality and maintenance of the receivables, collection of receivables, settlement and reporting to the financier. The Group has complied with its obligations under the facility throughout the financial year.

The debt facility is also secured using a general security arrangement (GSA) over the assets of Sigma Healthcare Limited and its subsidiaries. The GSA will be released once tranche C is repaid (maturity date of 30 November 2019).

The total facility is subject to interest cover, gearing and minimum shareholder funds covenants. The Group monitors compliance with its financial covenants on a monthly basis and reports compliance on half-yearly basis in line with testing dates. The Group has complied with all such requirements in the current and previous financial year.

The amount of borrowing costs capitalised for the year ended 31 January 2019 relating to the borrowings was \$1,189,000 (2018: \$522,000).

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 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:

	2019		2018	
	Total Facility \$'000	Unused \$'000	Total Facility \$'000	Unused \$'000
Credit standby facilities				
Secured bank overdraft facility	135,000	135,000	170,000	170,000
Secured cash advance facilities	365,000	50,000	200,000	5,000
Corporate credit card	3,431	3,262	3,441	3,272

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 period.

The Group holds the following financial instruments:

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	72,610	82,249
Trade and other receivables	583,673	578,738
Other financial assets	1,542	2,292
Total financial assets	657,825	663,279
Financial liabilities		
Trade and other payables	528,435	565,636
Borrowings	315,790	195,802
Total financial liabilities	844,225	761,438

(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 2019 to purchase any foreign currency (2018: nil).

(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 2019 (2018: nil).

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Capital Structure and Financing continued

17. Financial Risk Management continued

(a) Market Risk continued

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

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 consider 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.

	31 January 2019				31 January 2018			
	Balance \$'000	Weighted Avg. Rate %	-1% Profit \$'000	+1% Profit \$'000	Balance \$'000	Weighted Avg. Rate %	-1% Profit \$'000	+1% Profit \$'000
Financial assets								
Cash and cash equivalents	72,610	0.4%	(726)	726	82,249	0.4%	(822)	822
Financial liabilities								
Borrowings – secured	(315,040)	3.6%	3,150	(3,150)	(195,052)	3.2%	1,951	(1,951)
Total (decrease)/increase			2,424	(2,424)			1,129	(1,129)

(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 trade 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 impairment losses.

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, and associated security arrangements, are monitored by management.

The Group registers its retention of title on the Personal Properties Securities Register and seeks additional security as collateral where appropriate in accordance with its credit policy.

(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.

(d) Other Financial Asset – Fair Value

At 31 January 2019, 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 fair value through other comprehensive income and fair value is determined in the manner described below. This investment is considered a Level 1 financial instrument as the fair value is based on a quoted price in an active market.

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 equity price risk is not considered 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 is classified as a financial liability. Amounts classified as a financial liability are subsequently measured at fair value with any 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 2019

Group Structure continued

18. Business Acquisitions continued

Goodwill Arising on Acquisitions

	Note	MPS \$'000	MIA \$'000	Other ¹ \$'000	Total \$'000
2018					
Total goodwill at 1 February 2017		-	-	80,789	80,789
Cash consideration paid or payable		17,875	10,002	-	27,877
Contingent consideration		-	872	-	872
Less: Fair value of identified net assets		(14,105)	(2,349)	-	(16,454)
Total goodwill at 31 January 2018	12	3,770	8,525	80,789	93,084
2019					
Goodwill on current period acquisitions		-	-	-	-
Total goodwill at 31 January 2019	12	3,770	8,525	80,789	93,084

1. 'Other' refers to goodwill associated with acquisitions prior to 31 January 2017, specifically, Central Healthcare Group (which includes Central Health Services (CHS) and PharmaSave), Discount Drug Stores, and NostraData.

MPS Hold Co. Pty Ltd (MPS) and Medical Industries Australia Hold Co. Pty Ltd (MIA)

The fair value of assets and liabilities acquired, and goodwill recorded from the acquisition of MPS Hold Co. Pty Ltd (MPS) and Medical Industries Australia Hold Co. Pty Ltd (MIA) were provisionally reported at 31 January 2018. Since this date the acquisition accounting for both MPS and MIA has been completed and no further changes were noted.

19. Non-controlling Interest

	2019 \$'000	2018 \$'000
Non-controlling interest		
Balance at beginning of the year	2,151	1,824
Share of profit for the year	521	327
Dividends paid	(1,646)	-
Total	1,026	2,151

The non-controlling interests on the date of acquisition is 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.

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	
		2019 %	2018 %
Parent entity			
Sigma Healthcare Limited ²	Australia		
Subsidiaries			
Chemist Club Pty Limited ^{1,3}	Australia	100	100
Sigma Company Limited ^{1,3}	Australia	100	100
Allied Master Chemists of Australia Limited ^{1,3}	Australia	100	100
Guardian Pharmacies Australia Pty Ltd ^{1,3}	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 ^{1,3}	Australia	100	100
Sigma (W.A.) Pty Ltd ^{1,3}	Australia	100	100
Central Healthcare Pty Ltd ^{1,3}	Australia	100	100
Central Healthcare Services Pty Ltd ^{1,3}	Australia	100	100
Linton Street Pty Ltd ^{1,3}	Australia	100	100
PriceSave Pty Ltd ^{1,3}	Australia	100	100
PharmaSave Australia Pty Ltd ^{1,3}	Australia	100	100
Discount Drugstores Pty Ltd ^{1,3}	Australia	100	100
Member Benefits Australia Pty Ltd	Australia	51	51
NostraData Pty Ltd	Australia	51	51
MPS Hold Co. Pty Ltd ^{1,3}	Australia	100	100
Medical Industries Australia Hold Co. Pty Ltd ^{1,3}	Australia	100	100

1. These wholly-owned companies are subject to a deed of cross guarantee (see Note 23).

2. Sigma Healthcare Limited 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 Healthcare 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 2019 was \$6,454,923 (2018: \$6,623,071). The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 8 was \$1,117,161 (2018: \$907,453). 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 Healthcare 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Group Structure continued

22. Parent Company Financial Information

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

	2019 \$'000	2018 \$'000
Balance sheet		
Current assets	124,718	111,115
Non-current assets	363,810	363,797
Total assets	488,528	474,912
Current liabilities	195,397	179,045
Non-current liabilities	-	2
Total liabilities	195,397	179,047
Net assets	293,131	295,865
Equity		
Issued capital	281,611	282,505
Reserves	1,995	2,029
Accumulated profit	9,525	11,331
Total equity	293,131	295,865
Financial performance		
Profit for the year	39,644	56,632
Total comprehensive income for the year	39,644	56,632

(a) Guarantees Entered into by Parent Entity

The parent entity has provided financial guarantees in respect of the total debt facility (Note 16). As at 31 January 2019, the balance of the facility is \$315,000,000 (2018: \$195,000,000). The facility is secured by way of deed over eligible trade receivables and a general security arrangement over the assets of Sigma Healthcare Limited and its subsidiaries.

In addition, under the terms of a Deed of Cross Guarantee dated 20 January 2006, entered into accordance with the *ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785*, 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 Group 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 Healthcare 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 of disposal. The carrying value of the parent's investment in subsidiaries as at 31 January 2019 was \$363,511,000 (2018: \$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 period (2018: nil). The parent loan receivable is not overdue and eliminates on consolidation.

(d) Contingent Liabilities of the Parent Entity

Refer to Note 13 for further information on contingent liabilities. The parent entity did not have any other contingent liabilities as at 31 January 2019 or 31 January 2018. 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 2019 or 31 January 2018.

23. Deed of Cross Guarantee

Pursuant to *ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785* 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 *ASIC Corporations Instrument* 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 2019, are set out below:

(a) Statement of Comprehensive Income

	2019 \$'000	2018 \$'000
Sales revenue	3,976,774	4,094,440
Cost of goods sold	(3,703,580)	(3,810,077)
Gross profit	273,194	284,363
Other revenue	91,490	75,513
Warehousing and delivery expenses	(167,696)	(145,055)
Sales and marketing expenses	(59,344)	(58,835)
Administration expenses	(62,362)	(64,872)
Depreciation and amortisation	(12,894)	(8,517)
Profit before financing costs and tax expense (EBIT)	62,388	82,597
Finance income	744	1,424
Finance costs	(11,820)	(6,422)
Net finance costs	(11,076)	(4,998)
Profit before income tax	51,312	77,599
Income tax expense	(14,239)	(24,433)
Profit for the year	37,073	53,166
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change in fair value of financial asset	(750)	833
Exchange differences on translation of foreign operations	83	(139)
Income tax relating to components of other comprehensive income	200	(208)
Other comprehensive income/(loss) for the year (net of tax)	(467)	486
Total comprehensive income for the year	36,606	53,652
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial period	(699,147)	(696,002)
Impact on adoption of new standards	(3,316)	-
Profit for the year	37,073	53,166
Reclassification of settled and expired share-based transactions	3,402	2,553
Transfer from retained earnings to reserves	(773)	-
Dividends paid	(42,409)	(58,864)
Accumulated losses at the end of the financial period	(705,170)	(699,147)

(b) Balance Sheet

	2019 \$'000	2018 \$'000
Current assets		
Cash and cash equivalents	69,113	76,345
Trade and other receivables	574,813	572,366
Inventories	343,272	353,982
Income tax receivable	3,219	4,125
Prepayments	7,805	6,298
Assets classified as held for sale	-	9,123
Total current assets	998,222	1,022,239
Non-current assets		
Trade and other receivables	6,306	868
Property, plant and equipment	223,944	128,371
Goodwill and other intangible assets	125,316	124,654
Investments	3,025	-
Other financial assets	1,542	2,292
Net deferred tax assets	17,585	16,410
Total non-current assets	377,718	272,595
Total assets	1,375,940	1,294,834
Current liabilities		
Trade and other payables	514,564	539,231
Borrowings	115,003	195,000
Provisions	17,285	17,328
Deferred income	2,343	2,453
Total current liabilities	649,195	754,012
Non-current liabilities		
Other payables	183	344
Borrowings	199,995	-
Provisions	4,468	4,777
Deferred income	821	2,564
Total non-current liabilities	205,467	7,685
Total liabilities	854,662	761,697
Net assets	521,278	533,137
Equity		
Contributed equity	1,212,885	1,218,225
Reserves	13,563	14,059
Accumulated losses	(705,170)	(699,147)
Total equity	521,278	533,137

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Other Disclosures

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

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

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 15 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.

	2019 \$'000	2018 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Payable not later than one year	11,294	12,059
Payable later than one year but not later than five years	39,225	23,234
Payable later than five years	12,917	5,582
Total non-cancellable operating lease payments	63,436	40,875

Capital Expenditure Commitments

The Group has entered contracts for capital expenditure for which no amounts have been provided to the value of \$118,837,000 at 31 January 2019 (2018: \$163,197,000)

25. Auditors' Remuneration

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

	2019 \$	2018 \$
Auditors of the parent entity – Deloitte Touche Tohmatsu		
Audit and review of financial reports of the entity or any controlled entity	380,000	371,008
Other advisory services	136,000	-
Total remuneration	516,000	371,008

The directors are satisfied that the provision of these non-audit services ('Other advisory services') during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Further detail is provided in the Directors' Report.

26. Guarantees

	2019 \$'000	2018 \$'000
Guarantees existed at the end of year in respect of:		
Other guarantees	5,828	4,993
Total guarantees	5,828	4,993

27. Key Management Personnel Compensation

	2019 \$	2018 \$
The aggregate compensation made to key management personnel of the Group is set out below:		
Short-term employee benefits	3,049,732	3,957,035
Post-employment benefits	144,136	169,240
Long-term benefits	33,497	83,159
Termination payments	-	390,180
Share-based payments	1,092,820	1,876,154
Total	4,320,185	6,475,768

Key management personnel (KMP) and detailed remuneration disclosures are provided in the Remuneration Report on pages 22 to 38. The decrease in total compensation is consistent with the change in the key management personnel as reported in the Remuneration Report.

Disclosures relating to related party transactions with Directors or key management personnel are set out in Note 21.

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:

	2019 \$'000	2018 \$'000
Share-based payment expense:		
Shares issued under the loan funded share plan	-	3,051
Sign on performance rights	2,278	28
Total	2,278	3,079

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 21,763,572 shares are on issue (2018: 17,042,287).

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 Group 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 Healthcare 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

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. There are no outstanding performance rights granted under the old STI plan at 31 January 2019.

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 29 to 31 of the Remuneration Report.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Other Disclosures continued

28. Employee Share Plans and Share-based Payments continued

Share-based Payments continued

Executive Loan Funded Share Plan continued

The table below summarises the movement in the number of loan funded shares granted under the LTI plan over the year ended 31 January 2019.

	Balance at Start of the Year	Granted During the Year	Exercised During the Year	Forfeited During the Year	Balance at End of the Year
2019					
Number of outstanding loan funded shares	62,867,487	18,253,998	13,668,650	7,269,997	60,182,838
Weighted average exercise price	\$0.85	\$0.91	\$0.73	\$0.99	\$0.88
2018					
Number of outstanding loan funded shares	56,965,946	15,406,673	5,958,483	3,546,649	62,867,487
Weighted average exercise price	\$0.74	\$1.20	\$0.60	\$0.97	\$0.85

Fair Value of Options Granted

The fair value of options granted are independently determined by an external consultant engaged by the Company.

The fair value of each option granted is measured on the date of grant using the Black-Scholes option pricing model that takes into account the terms and components on the option and the market-based performance hurdle, total shareholder return (TSR). It does not consider the non-market-based performance hurdle, return on invested capital (ROIC).

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 below:

	Loan funded shares – ROIC	Loan funded shares – TSR
Grant date	1 February 2018	1 February 2018
Fair value	\$0.26	\$0.19

Inputs into the model:

Grant date share price	\$0.905	\$0.905
Exercise price	\$0.905	\$0.905
Expected volatility	30%	30%
Vesting life	3 years	3 years
Option life	5 years	5 years
Expected dividend yield	4.8%	4.8%
Risk free interest rate	2.41%	2.41%

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 statement of cash flows is reconciled to the related items in the consolidated balance sheet as follows:

	2019 \$'000	2018 \$'000
Cash and cash equivalents:		
Cash and bank balances	72,610	82,249
Total	72,610	82,249

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

	2019 \$'000	2018 \$'000
Profit for the year	37,041	55,386
Depreciation expense	8,515	6,004
Amortisation expense	5,007	3,083
Share-based payments expense	2,278	3,079
(Profit)/Loss on sale of property, plant and equipment	(1,072)	(391)
<i>Change in assets and liabilities:</i>		
Change in inventories	7,197	(27,246)
Change in net taxes receivable	1,644	(7,059)
Change in prepayments	(1,550)	(237)
Change in trade and other receivables	(11,796)	(8,384)
Change in trade payables	(33,707)	51,226
Change in provisions	(266)	1,070
Change in other payables and deferred income	(4,821)	(5,350)
Net cash flows from operating activities	8,470	71,181

Reconciliation of Liabilities Arising From Financing Activities

	Secured Loans \$'000	Unsecured Loans \$'000	Total \$'000
2018			
Total liability 1 February 2017	61	969	1,030
Cash flow	194,991	(219)	194,772
Non-cash flow	-	-	-
Total liability 31 January 2018	195,052	750	195,802
2019			
Cash flow	119,988	-	119,988
Non-cash flow	-	-	-
Total liability 31 January 2019	315,040	750	315,790

30. New Accounting Standards

(a) New Accounting Standards and Interpretations

In the current period, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period.

New and revised standards and amendments thereof and interpretations effective for the current annual reporting period that are relevant to the Group include:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2014-2016*
- AASB 2018-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

Other than the adoption of AASB 9 and AASB 15 (refer below), the adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Other Disclosures continued

30. New Accounting Standards continued

(b) Impact of New Accounting Standards

The Group has applied AASB 9 and AASB 15 retrospectively at 1 February 2018 with the cumulative effect of initial application being recognised as an adjustment to the opening balance of accumulated losses, with no restatement of comparative figures. The impacts of application are shown below:

	As Reported 31 January 2018 \$'000	AASB 9 impact \$'000	AASB 15 impact \$'000	Opening Balance 1 February 2018 \$'000
Trade and other receivables – current	577,870	(5,718)	585	572,737
Trade and other receivables – non-current	868	-	1,019	1,887
Net deferred tax assets	17,775	1,715	-	19,490
Total assets impact		(4,003)	1,604	
Trade and other payables – current	568,804	-	917	569,721
Total liabilities impact		-	917	
Accumulated losses	(701,919)	(4,003)	687	(705,235)
Total equity impact		(4,003)	687	

AASB 9 Financial Instruments

This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculation of impairment on financial assets and new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from AASB 139.

Trade Receivables – Expected Credit Losses

The implementation of AASB 9 has resulted in a change to the methodology by which the Group has assessed the provision for doubtful debtors from the incurred loss model to the expected credit loss model. The Group has adopted the simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance for all trade receivables.

The requirements of AASB 9 were adopted on 1 February 2018 and applied to the Group's trade receivables at that time. The Group's accounting policy in respect of the new standard is disclosed in Note 8.

The initial impact of adopting this change at 1 February 2018 was as follows:

- A provision for expected credit losses of \$5.7 million was recognised.
- Net deferred tax assets increased by \$1.7 million.
- Accumulated losses increased by \$4.0 million.

Other Financial Assets

At 31 January 2018, the Group held listed shares that are traded in an active market. Under AASB 139, the investment was classified as available-for-sale. In accordance with AASB 9, from 1 February 2018, the investment has been re-classified as being measured at fair value through other comprehensive income.

Changes in the fair value of investments in equity securities are accumulated within the fair value reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised. No re-classification to profit or loss occurs.

The application of this policy did not result in material changes to the amounts previously reported.

AASB 15 Revenue From Contracts with Customers

The requirements of AASB 15 replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. AASB 15 establishes a single comprehensive five-step model for entities to use in accounting for all revenue streams arising from contracts with customers with two separate approaches for recognising revenue: at a point in time or over time.

The Group adopted the standard from 1 February 2018 with the accounting policy disclosed in Note 2. Upon adoption, the Group assessed the timing of revenue recognition for each revenue stream. The changes and their impact were as follows:

- A change in recognition of upfront membership fees to over time under AASB 15 rather than in full upon signing of the agreement under AASB 118. This change has not resulted in a material impact to net profit for the period.
- A change in the measurement of contract costs – the impact of which is summarised below.

Contract Costs

The Group provides upfront incentives to franchisees upon signing of the agreement, which it previously recognised in full upon signing of the agreement. The Group has assessed that these represent incremental costs of obtaining a contract and are to be deferred and amortised over the life of the franchise agreement. This change has not resulted in a material impact to net profit for the period, but did have the following impact on the consolidated balance sheet and consolidated statement of changes in equity:

- Trade and other receivables increased by \$1.6 million.
- Trade and other payables increased by \$0.9 million.
- Accumulated losses increased by \$0.7 million.

(c) Standards Issued But Not Yet Effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 February 2019. Whilst earlier application is permitted, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. The Group's assessment of the impact of these standards and interpretations is set out below.

Title	Nature of Change and Summary of Impact	Mandatory Date of Application
AASB 16 Leases	AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 <i>Leases</i> and the related interpretations when it becomes effective. AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability are recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.	1 February 2019

Title	Nature of Change and Summary of Impact	Mandatory Date of Application
AASB 16 Leases continued	The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.	1 February 2019

This standard must be implemented retrospectively, either with the restatement of comparative information or with the cumulative impact of application recognised as at 1 February 2019 under the modified retrospective approach.

Assessment of Impact

As at 31 January 2019, the Group has predominantly completed a process to determine the impact of applying the new standard and the plan for its implementation from 1 February 2019. In performing this exercise, the following work was completed:

- Identification of leases and contracts that could be considered to include a lease;
- Reconciliation of the leases identified to the prior period lease commitments note;
- Estimation of the options periods expected to be utilised on each material lease;
- Development of estimates for discount rates; and
- Determination of the practical expedients permitted by the standard relevant to the Group.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2019

Other disclosures continued

30. New Accounting Standards continued

(c) Standards Issued But Not Yet Effective continued

Title	Nature of Change and Summary of Impact	Mandatory Date of Application
AASB 16 Leases <small>continued</small>	Based on our assessment we expect that almost all of the Group's leases that contribute to non-cancellable operating lease commitments of \$63,436,000 (31 January 2018: \$40,875,000), as disclosed in Note 24, will meet the definition of a lease under AASB 16. The following impacts are expected on implementation of the new requirements: <ul style="list-style-type: none"> • A material right-of-use asset and a lease liability will be recognised on the balance sheet, with the difference posted to retained earnings; • Finance costs will increase due to the impact of the interest component of the lease liability; • Depreciation expense will increase due to depreciation of the right-of-use asset over the lease term; • Lease rental operating expenses will reduce to close to nil; and • In the cash flow statement, operating cash outflows will decrease, and financing cash outflows will increase as repayment of the principal balance in the lease liability will be classified as a financing activity. <p>To finalise the implementation of the new standard, Management will make a final determination of the discount rates and options periods for each of its leases.</p>	1 February 2019

Title	Nature of Change and Summary of Impact	Mandatory Date of Application
AASB 16 Leases <small>continued</small>	<p>Transition</p> <p>We expect to apply the modified retrospective transition approach upon implementation from 1 February 2019. Under this option, the comparative period is not restated. The 'right of use' (ROU) asset is calculated as the written down value of the asset had it been depreciated from the date the lease was implemented, the lease liability is calculated based on the present value of remaining lease payments and any variance between the liability and asset on transition is recorded in opening retained earnings (no EBIT impact).</p> <p>In applying AASB 16 for the first time, the Group plans to use the following practical expedients permitted by the standard:</p> <ul style="list-style-type: none"> • The use of a single discount rate to a portfolio of leases with reasonably similar characteristics; • The accounting for operating leases with a remaining lease term of less than six months and leases of low-value assets (such as computers and furniture) as at 1 February 2019 as short-term leases; • The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; • The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and • Will not reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group will rely on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease. 	1 February 2019

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.

Directors' Declaration

In the opinion of the Directors of Sigma Healthcare Limited:

- (a) the financial statements and notes, set out on pages 40 to 74, 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 2019 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 Corporations (Wholly owned Companies) Instrument 2016/785*.

Within the 'About this report' section in the notes to the financial statements is confirmation 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 2019 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.



Mr Brian Jamieson
Chairman



Mr Mark Hooper
CEO and Managing Director

Melbourne
20 March 2019

Independent Auditor's Report

Deloitte.

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Independent Auditor's Report to the members of Sigma Healthcare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sigma Healthcare Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 31 January 2019, 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.

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 2019 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.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Assessment of the recoverability of goodwill <i>Refer to note 12</i></p> <p>As at 31 January 2019, the Group had goodwill totalling \$93.084 million. The recovery of goodwill is subject to a high level of judgement in determining assumptions and estimates involved in evaluating the recoverable values of the cash generating units ("CGUs").</p> <p>As disclosed in note 12, management applied a 'value in use' approach for all CGUs except for the Sigma and Central Healthcare Services ("CHS") CGUs where a 'fair value less cost of disposal' approach was adopted.</p> <p>Under both approaches, a discounted cash flow model was prepared, which included significant assumptions relating to:</p> <ul style="list-style-type: none"> • Future cash flows for each CGU; • Discount rates; and • Terminal value growth rates. <p>Changes to these assumptions can impact the recoverable amount determined for each CGU. As disclosed in note 12, the Sigma and CHS CGUs are more sensitive to these changes as they have lower headroom than the other CGUs</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the determination of the Group's CGUs based on our understanding of the nature of the Group's businesses and how independent cash flows are derived, • Testing key controls within management's impairment assessment process, including the preparation, review and board approval of cash flow forecasts supporting this process, • In conjunction with our valuation specialists we evaluated the key assumptions used in management's recoverable amount analysis for the Sigma and CHS CGUs including: <ul style="list-style-type: none"> ◦ Assessing the basis for management's forecast revenue, EBITDA, cash flows and terminal value growth assumptions including consideration of historical growth trends, business case analysis and support for future forecast revenue growth and cost savings and external information available via IBIS market research reports; ◦ Assessing management's historical forecasting accuracy of the Group's operating results, ◦ Recalculating an expected discount rate and comparing this to the rate calculated by management; and ◦ Performing sensitivity analysis on the impairment model using varied discount rates and growth projections to simulate alternative market conditions and outcomes. <p>We also assessed the appropriateness of the disclosures included in the notes to the financial statements.</p>
<p>Valuation of trade receivables <i>Refer to note 8</i></p> <p>The Group has total trade receivables of \$572.608 million as at 31 January 2019, made up of a significant number of individual pharmacies and groups of pharmacies under common ownership. The Group has recognised a trade receivables provision of \$17.962 million as at 31 January 2019.</p> <p>Significant judgement is involved in relation to credit risk exposures of these individual pharmacies and pharmacy groups and losses recognised in prior periods in relation to pharmacy groups.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the process undertaken by management to identify individual trade receivable balances that are potentially unrecoverable; • Reviewing the Group's Credit Committee meeting minutes and monthly reports, to identify potential individual doubtful or 'at risk' balances; • Challenging management's view of credit risk and recoverability for pharmacy groups by: <ul style="list-style-type: none"> ◦ 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, ◦ Assessing the adequacy of the provision against the identified population of overdue and 'at risk' trade debtors, and ◦ Assessing the historic accuracy of the provision for doubtful debtors against subsequent trade debtor write-offs. <p>We also assessed the appropriateness of the disclosures of the quantitative and qualitative considerations in relation to credit risk included in the notes to the financial statements.</p>

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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 also includes the following information which will be included in the annual report (but does not include the financial report or our auditors report thereon): 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 the 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.

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- Conclude on the appropriateness of the directors' 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 included in pages 22 to 38 of the Directors' Report for the year ended 31 January 2019.

In our opinion, the Remuneration Report of Sigma Healthcare Limited, for the year ended 31 January 2019, 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


Andrew Reid
Partner
Chartered Accountants
Melbourne, 20 March 2019

Shareholder Information

Equity Security Holders

As at 15 March 2019, the Company has 1,060,654,321 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 15 March 2019 (as named on the register of shareholders):

Name	Ordinary Shares	
	Number Held	% of Issued Shares
HSBC Custody Nominees (Australia) Limited	152,929,292	14.43%
Australian Pharmaceutical Industries Ltd	114,053,790	10.77%
Citicorp Nominees Pty Limited	112,521,148	10.62%
J P Morgan Nominees Australia Limited	97,225,078	9.18%
National Nominees Limited <N A/C>	24,995,000	2.36%
Lion Capital Nominees Pty Ltd	23,210,802	2.19%
National Nominees Limited	22,260,626	2.10%
BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	13,364,510	1.26%
CS Third Nominees Pty Limited <HSBC Cust Nom AU Ltd 13 A/C>	11,754,503	1.11%
Mr Mark Robert Hooper	8,926,075	0.84%
Merrill Lynch (Australia) Nominees Pty Limited	5,319,073	0.50%
Warbont Nominees Pty Ltd <Unpaid Entrepot A/C>	4,820,910	0.46%
BNP Paribas Noms Pty Ltd <DRP>	4,724,627	0.45%
Jeffrey Sells	2,541,144	0.24%
Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	2,476,174	0.23%
Woodross Nominees Pty Ltd	1,817,050	0.17%
Nabru Nominees Pty Limited <Nabru Nominees P/L S/F A/C>	1,798,995	0.17%
Bond Street Custodians Limited <SHBC1 - V13134 A/C>	1,541,594	0.15%
Mr Peter Urban	1,438,262	0.14%
Brian Charles Cannon & Rosalie Cannon	1,330,500	0.13%
Total top 20 holders	609,049,153	57.49%
Total other holders	450,391,920	42.51%
Grand total	1,059,441,073	100.00%

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 15 March 2019:

Name	Noted Date of Change	Number of Equity Securities	Voting Power
Australian Pharmaceutical Industries Limited	13 December 2018	137,264,592	12.96%
Allan Gray Australia Pty Ltd	24 January 2019	99,263,286	9.37%
Dimensional Entities	21 June 2018	52,998,013	5.00%

Holdings distribution

Range	Number of Holders
100,001 and Over	608
10,001 to 100,000	6,534
5,001 to 10,000	3,572
1,001 to 5,000	7,512
1 to 1,000	1,745
Total	19,971
Unmarketable parcels	1,166

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 ended 31 January 2016 and the last of the shares issued under the plan were exercised during the year ended 31 January 2017.

Five Year Summary

	2019 \$m	2018 \$m	2017 \$m	2016 \$m	2015 \$m
Operating results					
Sales revenue	3,976.8	4,094.4	4,366.2	3,461.1	3,142.1
EBITDA	76.5	92.8	89.2	90.3	85.6
EBIT	63.0	83.7	81.0	80.4	78.0
Profit/(loss) before tax	52.0	78.7	76.7	76.8	75.6
Profit/(loss) after tax	37.0	55.4	53.5	50.5	52.8
Financial position					
Working capital	406.2	378.8	387.1	490.4	455.6
Fixed assets (including intangibles)	349.6	253.9	180.6	160.1	156.0
Other assets/(liabilities)	1.7	(3.8)	(20.4)	(40.2)	(72.2)
Capital employed ¹	757.5	628.9	547.3	610.3	539.4
Net debt/(net cash)	243.2	113.6	8.7	56.6	(33.7)
Net assets	514.3	515.3	538.6	553.7	573.1
Shareholder related					
Dividend					
– ordinary per share	4.0c	5.5c	5.5c	5.0c	2.0c
– special per share	-	-	-	-	1.0c
– total dividends (\$ million)	42.4	58.8	59.2	54.0	32.8
Earnings/(loss) per share	3.8c	5.6c	5.4c	5.0c	5.1c
Dividend payout ratio	116%	106%	111%	107%	62%
Net tangible asset backing per share	37c	37c	41c	42c	43c
Market capitalisation (balance date) (\$ million)	572	949	1,302	885	875
Ratio and returns					
EBIT margin ²	1.5%	2.0%	1.9%	2.3%	2.5%
Gearing ³	32.1%	18.1%	1.6%	9.3%	n/a
Interest cover ⁴	6.9x	18.5x	20.8x	26.0x	34.8x

1. Net assets plus borrowings less cash and cash equivalents.

2. EBIT / sales revenue.

3. Net debt / capital employed (year-end). In 2015 the Group had cash and cash equivalents over and above total debt.

4. Reported EBITDA / Net financing costs (times).

Contacts

Company Details

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Corporate Head Office

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Directors and Senior Management

Refer to pages 26 to 29 of the 2018/19 Annual Review or visit www.sigmahealthcare.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

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10 Craft Street
Canning Vale WA 6155 Australia

Discount Pharmacy Retail Group

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Chadstone VIC 3148 Australia

mps Sites

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Eight Mile Plains QLD 4113 Australia
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Oakleigh VIC 3166 Australia

11 Spireton Place
Pendle Hill NSW 2145 Australia

Medical Industries Australia Sites

87 Mars Road
Lane Cove West NSW 2066 Australia
Tel +61 (0)2 9490 6200
Fax +61 (0)2 9490 6298

Recent Dividends

Dividend	Date Paid	Cents Per Share
2019 Final	29 April 2019	2.00
2019 Interim	29 October 2018	1.50
2018 Final	20 April 2018	2.50
2018 Interim	5 October 2017	2.50
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

Shareholder Calendar*

2018/19 AGM	15 May 2019
Half-Year results	5 September 2019
Ex-dividend date	19 September 2019
Record date	20 September 2019
Interim dividend payment	4 October 2019
Full-Year results	26 March 2020
Ex-dividend date	9 April 2020
Record date	10 April 2020
Final dividend payment	24 April 2020
2019/20 AGM	13 May 2020

* Dates may be subject to change.

For investor, media or government enquiries in relation to Sigma

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 DISCOUNT DRUG STORES

