

Positioned for sustainable growth

Annual Report 2020/21

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Corporate Governance, Environmental and Social Statements

For the year ended 31 January 2021

Sigma Healthcare Limited (Company) and its controlled entities (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.

This is reflected in the Company's statement of values, as approved by the Board and published on the Company's website (www.sigmahealthcare.com.au). The Company's overarching value statement is as follows:

At Sigma, we believe a united team and safe environment promote culture. We do this by trusting our team and partners. We openly communicate and hold each other accountable in a respectful way.

This Corporate Governance, Environmental and Social Statement (Statement) was approved by the Board and is current as at 22 March 2021.

1. ASX Corporate Governance Principles and Recommendations

The Directors and management of the Company are committed to ensuring that the Group's business is conducted in accordance with high standards of corporate governance, including those described in the 4th edition of the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations" (ASX Principles and Recommendations).

The Company's current corporate governance policies and practices comply with the ASX Principles and Recommendations, which applies to the Company for the year ending 31 January 2022.

A checklist cross-referencing the ASX Principles and Recommendations against the disclosures in this Statement is provided at the end of this Statement.

2. Our Board

(a) Role

The Board is primarily responsible for setting the strategic direction and endorsing the values of the Company and the Group, to effectively guide and oversee management of the Group and to approve, review and oversee implementation of the Group's risk management systems and governance practices, strategies and policies.

The Board has adopted a Board Charter (published on the Company's website) which sets out the structure and governance requirements of the Board and respective responsibilities of the Board and the "Senior Executive Team" comprising the CEO and Managing Director (CEO) and a number of the CEO's key direct reports.

Under the Board Charter, the Board has reserved responsibilities for a range of matters, including:

- endorsing the Company's values and standards of conduct;
- defining the Company's purpose, establishing strategic goals and approving management's business plans and strategic opportunities;
- overseeing the management of the Company;
- Board and executive succession planning;
- appointment and annual evaluation of the CEO;
- setting risk appetite for management in alignment with strategic goals;
- monitoring the Company's performance with the aim of maximising long-term returns to the Company's security holders at an acceptable level of risk;
- approving the Company's financial plans, operating budgets and major capital expenditure; and
- reviewing and ratifying policies and systems of risk management, codes of conduct, legal compliance and corporate governance.

(b) Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. This includes 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. Under the Board Charter, responsibility for approving appointment and removal of the Company Secretary is reserved for the Board.

(c) Board composition

Currently, and for the duration of the 2020/2021 reporting period, the Board consisted of one Executive and six Non-Executive Directors, including the Chair.

The Company's Constitution and Board Charter set out the process for the election and appointment of Directors, including the following:

- The Board is authorised to appoint Directors to vacancies and to elect the Chair. Any Director appointed by the Board must stand for election at the next annual general meeting (AGM) of security holders following their appointment.
- 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 AGM. Other than the CEO, no Director may remain in office for more than three years without resigning and standing for re-election.

Corporate Governance, Environmental and Social Statements continued

For the year ended 31 January 2021

Before a Director is appointed or put forward for election, the Company undertakes checks into the proposed director's character, experience, education, criminal record and bankruptcy history.

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. Board support for Directors retiring and seeking re-election is not automatic; and
- the Company provides security holders, in the notice of meeting for the AGM, material information in its possession relevant to a decision on whether or not to elect or re-elect a Non-Executive Director. This includes information about the Director's relevant skills and qualifications, current material directorships and, for existing Directors seeking re-election, their length of tenure.

(d) Board Skills, Experience and Selection Process

The Board is committed to ensuring that the Company's Directors have a collective mix of skills, background, experience, knowledge, education, 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. The Board considers this diversity is required to effectively govern the Group.

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

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 reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

When the need for a new Director is identified, the required experience and competencies of the new director are defined in the context of the above skills and experience 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 engaged 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 probity checks are undertaken before the People and Remuneration Committee recommends the most appropriate candidate(s) for consideration by the Board as a whole.

(e) Appointment and Induction of New Directors

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 that encompasses all aspects of the Company's business, including touring the Sigma Group's facilities and meeting key management personnel.

(f) Performance Reviews and Professional Development

Each Director is a member of the Australian Institute of Company Directors and has access to professional development opportunities to ensure they maintain the skills and knowledge required to perform their roles effectively.

The Chair, on the advice of the People and Remuneration Committee, periodically conducts an internal review of the Non-Executive Directors which, amongst other things, identifies whether there is a need for the Director to undertake further professional development. The results of the internal performance review are reported back to the People and Remuneration Committee. In addition, the Board, on the advice of the People and Remuneration Committee, periodically engages an independent third party to undertake a formal, external review of the Board.

The Chair conducted an internal review of the Non-Executive Directors in the 2020/2021 reporting period. An external board review was not considered to be required in the 2020/2021 reporting period.

The Board reviews the performance of the CEO against the Board-approved key performance indicators on an annual basis. This review was conducted in the 2020/2021 reporting period.

(g) Independence of Directors

As required under the Board Charter, the majority of Directors, including the Chair, are independent Non-Executive Directors.

The Board's definition of "independence" is outlined in the Board Charter and reflects the commentary in the ASX Principles and Recommendations. The definition of independence is as follows:

An independent Director is a Non-executive Director who is free of any interest, position or relationship that might influence, or reasonably perceived to influence, in a material respect, the Director's capacity to bring an independent judgment to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

This includes a person who:

1. is not, does not represent, and has not within the last three years been an officer or employee of, or professional adviser to, a substantial security holder of the Company. A substantial security holder is a security holder who holds more than 3% of the issued capital of the Company;
2. is not, and has not been employed in an executive capacity by the Company or any of its child entities, within the three years prior to them serving on the Board;
3. is not, and has not within the last three years been, in a material business relationship (e.g. as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship. A material supplier or customer is a supplier or customer who controls more than 5% of the value of the Company's total purchases or 5% of the value of the Company's total sales or more than 50% of the suppliers or customers purchases or sales are from or to the Company;
4. does not receive performance-based remuneration (including options or performance rights) from, or participate in an employee incentive scheme of, the Company;
5. does not have close personal ties with any person who falls within any of the categories described above; and
6. has not been a Director of the Company for such a period that their independence from management and substantial holders may have been compromised.

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For the year ended 31 January 2021

The Board reviewed the independence of each Non-Executive Director against both of these definitions and found there was no material change in its conclusion about the independence of each Non-Executive Director. The Board's assessment of the independence of each Non-Executive Director is as follows:

- Mr Raymond Gunston – independent.
- Mr David Manuel – not independent. Mr Manuel is a practising pharmacist and customer of the Sigma Group. 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.
- Mr David Bayes – independent. The Board considers that, notwithstanding Mr Bayes' length of tenure as a Director of the Company (from June 2007 – present) and deep understanding of the business, Mr Bayes and his relationships are sufficiently removed from management to be considered independent.
- Ms Christine Bartlett – independent.
- Ms Kathryn Spargo – independent.
- Mr Michael Sammells – independent.

Independent Directors are required to identify and disclose any matter which may affect their independent status. In addition, only those transactions permitted by the Company's Constitution and the *Corporations Act 2001* (Cth) 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 the Company's financial report.

On a regular basis, Non-Executive Directors meet without the CEO 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 must identify any actual or potential conflict of interest they may have in dealing with the Company'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 Chair, at the Company's expense.

(j) 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.

(k) 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 the Company's shares on market every three months. Further details of the Company's remuneration strategy and principles are outlined in the Remuneration Report.

3. Board Committees

The Board has two standing committees (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. Copies of the Committee Charters are available on the Company's website. The Board Charter requires the Board to review each Committee's Charter every two years. In addition, each Charter requires the relevant Committee to review its Charter at regular intervals.

Consistent with its Charter, RMAC's 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 Group and to monitor the quality and reliability of the financial information of the Group.

The attendance and composition of the Committees as at, and throughout the financial year ended 31 January 2021, is summarised in the Directors' Report.

(a) Risk Management and Audit Committee (RMAC)

The RMAC comprises Mr Michael Sammells (Chair), Mr David Manuel and Ms Kathryn Spargo, who are all Non-Executive Directors. Mr Sammells, who is not the Chair of the Board, is the Chair of the RMAC. Mr Sammells, Mr Manuel and Ms Spargo all have relevant financial, commercial and risk management qualifications and/or experience, details of which are provided in the Directors' Report. The RMAC has authority, within the scope of its responsibilities, to seek any information it requires from any employee of the Group or external party.

Consistent with its Charter, RMAC's 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 Group and to monitor the quality and reliability of the financial information of the Group.

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 to not perform in that role for more than five years.

(b) People and Remuneration Committee

The People and Remuneration Committee comprises Ms Christine Bartlett (Chair), Mr David Bayes and Mr David Manuel who are all Non-Executive Directors.

Consistent with its Charter, the Committee's main responsibilities are 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 about the remuneration strategy, policies and practices applicable to Non-Executive Directors and the Senior Executive Team, including 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. As such, the Company does not require a separate nominations committee. The Board's processes for ensuring it has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively and to manage succession issues are outlined in Section 2(c) to (f) and Section 8 of this Statement.

4. CEO and Senior Executive Team

(a) Appointment

The Board is responsible for appointing and removing the CEO and for approving the appointment and replacement of the Senior Executive Team.

The Company undertakes appropriate checks into all members of the Senior Executive Team. All members of the Senior Executive Team are appointed under written agreements.

(b) Performance and Remuneration

The Company's Remuneration Policy is designed to recognise the competitive environment within which the Company operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in the Company'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 members of the Senior Executive Team were conducted during the reporting period in accordance with the process described above.

Further details on key management personnel 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 Company's website.

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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 Group for the reporting period. The certifications provide a declaration, in accordance with Section 295A of the *Corporations Act 2001* (Cth), 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 Company has a co-sourced internal audit function comprising external service providers (Ernst and Young) which report into an internal team. The internal audit function reports directly to the RMAC in relation to its audit functions. The internal auditors provide independent and objective assurance on the adequacy and effectiveness of the Company's systems for internal control.

(d) Verification Process for Periodic Corporate Reports

The Company internally verifies the integrity of all periodic corporate reports released to the market that are not reviewed by an external auditor. A verification certificate and supporting material/evidence has been provided by the relevant team member for each material statement in this Annual Report.

6. Corporate Governance Policies

The Company has adopted the following policies which have been prepared having regard to the ASX Principles and Recommendations and 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 all Directors, members of the Senior Executive Team and other team members of the Group to act honestly and with integrity and to conduct themselves in accordance with the highest ethical standards of corporate and individual behaviour. The Company has developed and communicated its Code of Conduct to all Directors, members of the Senior Executive Team and team members. The Code of Conduct sets out the practices which are necessary to maintain confidence in the Company's integrity and promotes:

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

Directors, the Senior Executive Team and team members of the Group are required to comply with both the spirit and letter of all laws which apply to the Company and the principles of the Code of Conduct, including:

- minimising conflicts of interest and disclosing possible or potential conflicts;
- avoiding receiving material gifts or benefits from third parties in connection with the Company's business;
- reporting any knowledge of fraud, material error, breach of law or of a concealed practice against the interest of the Company;
- not using any Company 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);

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

The Company requires all Directors, members of the Senior Executive Team and other team members who become aware of an actual or suspected violation of the Code of Conduct to report that violation to a nominated reporting person. This process allows for confidential reporting of any potential violation without disadvantage to the team member. Material breaches of the Code are reported to the People and Remuneration Committee.

(b) Diversity Policy

The Company has adopted a Diversity Policy, which is described in further detail in Section 8 below.

(c) Continuous Disclosure and Market Communications Policy

The policy outlines a set of procedures and guidelines to ensure the Company complies with all applicable legal and regulatory requirements, including ASX Listing Rules, relating to disclosure. 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.

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 the Company and its securities registry electronically.

In addition, to encourage participation at meetings of security holders, the Company provides a live webcast of its AGM and half- and full-year results. For the purpose of the AGM, security holders can submit questions prior to the event, which are then answered at the AGM, or ask questions live at the venue during the AGM. Details of scheduled events are published on the Company's website, and existing shareholders receive an email with details. The Company also requires all substantive resolutions at a meeting of security holders to be decided by poll, rather than by show of hands.

(d) Share Trading Policy

The policy applies to Directors, the Senior Executive Team and team members (including employees and contractors) wishing to participate as security holders in the Company. Australian insider trading laws prohibit people who possess 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, team members and their associates, as well as the Company's security holders, 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 trading during times where sensitive, non-public information may be held. In addition, certain persons deemed 'Specified Persons' must obtain written clearance from the Company in advance of any proposed dealing in the Company's securities.

Under the terms of the policy, persons to which the policy applies 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 securities in the Company or in relation to which the Company's securities may be used as security against loan repayment.

(e) Whistleblower Policy

The Company is committed to maintaining high standards of openness, governance and accountability. It wants to create an environment where people feel safe to report any wrongdoing without fear of reprisal. Although most allegations of misconduct or wrongdoing will be reported via internal channels (supervisor/manager or outside reporting lines, if necessary), the Company recognises that there will be occasions when people would rather make an anonymous disclosure. The Company has therefore appointed an external provider to receive allegations of wrongdoing pursuant to the Company's Whistleblower Policy. The RMAC is notified of material incidents reported under the Whistleblower Policy.

(f) Anti-bribery and Corruption Policy

The Company understands the importance of ensuring that its Board, Senior Executive Team and team members act with the utmost integrity. Bribery and corruption have long been prohibited under the Company's Code of Conduct and Fraud Policy. In addition, the Company also has a standalone Anti-Bribery and Corruption Policy. This prohibits the Board, Senior Executive Team and all team members of the Sigma Group from engaging in bribery or corrupt conduct and provides particular guidance in relation to political donations, gifts, travel and hospitality. It establishes reporting lines for actual or suspected breaches and ensures that material breaches are reported to the RMAC.

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7. Risk Assessment and Management

The Board is committed to the identification, assessment and management of risk throughout the Company's business activities. The Company has established policies for the oversight and management of material business risks. The Company's overarching Risk Management Policy can be found on the Company's 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 the Company's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure.

The Company 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 the Company's management of its material business risks on a quarterly and annual basis. The RMAC's review of the Group's risk takes into account whether the Company is operating with due regard to the Board's approved risk appetite for material risks. The RMAC continually considers whether the Group's risk management framework remains appropriate and conducts a formal review of that framework every two years (or as otherwise required).

The RMAC has reviewed the risk management framework during the reporting period in accordance with this policy. Further information about the Company's material risks is provided in the Operating and Financial Review.

8. 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 team members at their 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, Carers, Parental Leave and Family and Domestic Violence 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. Two of the last three Board appointments have been women.

From a senior executive perspective, the current gender mix is 20% female. This remains unchanged from the previous year as there have been no team member changes to the Senior Executive Team.

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 2020 remuneration review process. The results of the analysis confirmed that gender pay variances are not prevalent at Sigma when comparing male and female salaries both for like-for-like positions and 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 Principles and Recommendations, the Company makes the following disclosures in relation to gender diversity.

(b) Measurable Objectives and Progress

Under 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. The Company has made the following progress towards achieving the measurable objectives set for the 2020/2021 reporting period:

Measurable Objectives	Progress for 2020/2021 Reporting Period
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 were no changes to the gender composition of the Senior Executive Team during 2020/21. The creation of a new senior management position has resulted in some leadership roles now moving down a layer and are now outside the senior management layer. This has impacted the proportion of females within the top 3 layers of the organisation. 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.

The Company aspires for gender equality at all levels of the organisation. In accordance with the 4th edition of the ASX Principles and Recommendations, the Board has set the measurable objective for each level of the organisation to have 50% of each gender, with an acceptable tolerance of 10% either side of that target. This objective applies for the 2021/2022 reporting period.

Proportion of Women Employees and Board Members

In accordance with the ASX Principles and Recommendations, 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 Group	As at 31 January 2021, 59% of the Group's employees were women.
Proportion of women in the Senior Executive Team	As at 31 January 2021, 20% of Senior Executive Team ¹ positions were held by women.
Proportion of women in senior management ² positions	As at 31 January 2021, 38% of senior management positions within the Company were held by women.
Proportion of women on the Board of the Company	As at 31 January 2021, 33% of the Company's Non-Executive Directors were women.

1. The Senior Executive Team comprises the CEO and a number of the CEO's key direct reports.
2. Senior management positions are those within the top three layers of the organisation.

9. Environmental and Social Statement

Sigma is aware of and focused on managing our Environmental and Social related risks. This has resulted in Sigma conducting a detailed analysis and impact assessment to identify the areas of greatest risk and opportunity for Sigma to have the greatest positive influence on the environment and society. This assessment has helped to form Sigma's inaugural environmental, social, and governance (ESG) Report, which is available on the Sigma website. This is an integrated whole of business sustainability report approved by the Sigma Board, with key themes being:

- identifying and effectively managing and mitigating environmental risks from all work practices, including through committing to using the Covenant Sustainable Packaging Guidelines;
- providing safe and healthy workplaces that empower our team members to perform at their best;
- cultivating an inclusive employee culture that is committed and equipped to lead through change and to achieving our objectives under this policy; and
- implementing strategies and a reporting framework to give effect to our objectives stated under this policy.

More details on Sigma's ESG commitment is available in our ESG Report, which is available on the Sigma website.

Corporate Governance, Environmental and Social Statements continued

For the year ended 31 January 2021

10. ASX Principles and Recommendations Checklist

Ref	ASX Principles and Recommendation	Section*	Compliance
Principle 1 Lay Solid Foundations for Management and Oversight			
1.1	A listed entity should have and disclose a board charter setting out: (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 Yes
1.2	A listed entity should: (a) undertake appropriate checks before appointing a director or senior executive or putting someone forward 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)	Yes 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(e) and 4(a)	Yes
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: (a) have and disclose a diversity policy; (b) which through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; (c) disclose in relation to each reporting period: (i) the measurable objectives set for that period to achieve gender diversity; (ii) the entity's progress towards achieving those objectives; and (iii) either: (1) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators" as defined and published under that Act.	8	Yes Yes Yes
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.	2(f), 3(b) and 4(b)	Yes Yes

Ref	ASX Principles and Recommendation	Section*	Compliance
1.7	A listed entity should: <ul style="list-style-type: none"> (a) have and disclose a process for periodically evaluating the performance of its senior executives at least once every reporting period; and (b) disclose for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period. 	4(b)	Yes Yes
Principle 2 Structure the Board to be Effective and Add Value			
2.1	The board of a listed entity should: <ul style="list-style-type: none"> (a) have a nomination committee which: <ul style="list-style-type: none"> (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: <ul style="list-style-type: none"> (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. 	2(d) and 3(b)	N/A Yes
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.	2(d)	Yes
2.3	A listed entity should disclose: <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position 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 or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director. 	2(g) and Directors' Report	Yes Yes Yes
2.4	A majority of the board of a listed entity should be independent directors.	2(g)	Yes
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(g)	Yes
2.6	A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.	2(e)	Yes

Corporate Governance, Environmental and Social Statements continued

For the year ended 31 January 2021

10. ASX Principles and Recommendations Checklist continued

Ref	ASX Principles and Recommendation	Section*	Compliance
Principle 3 Instil a Culture of Acting Lawfully, Ethically and Responsibly			
3.1	A listed entity should have and disclose its values.	6(a)	Yes
3.2	A listed entity should: (a) have and disclose a code of conduct for its directors, senior executives and employees; and (b) ensure that the board or a committee of the board is informed of any material breaches of that code.	6(a)	Yes
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	6(e)	Yes
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	6(f)	Yes
Principle 4 Safeguard the Integrity of Corporate Reports			
4.1	The board of a listed entity should: (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 (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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 (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.	3(a), 5 and Directors' Report	Yes Yes Yes Yes Yes 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 should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor	5(d)	Yes

Ref	ASX Principles and Recommendation	Section*	Compliance
Principle 5 Make Timely and Balanced Disclosure			
5.1	A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under Listing Rule 3.1	6(c)	Yes
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	6(c)	Yes
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	6(c)	Yes
Principle 6 Respect the Rights of Shareholders			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	2 and 4	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 how it facilitates and encourages participation at meetings of security holders.	6(c)	Yes
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by poll rather than a show of hands.	6(c)	Yes
6.5	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
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:		
	(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 that the entity is operating with due regard to the risk appetite set by the board; and		Yes
	(b) disclose, in relation to each reporting period, whether such a review has taken place.		

Corporate Governance, Environmental and Social Statements continued

For the year ended 31 January 2021

10. ASX Principles and Recommendations Checklist continued

Ref	ASX Principles and Recommendation	Section*	Compliance
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	5(c)	Yes N/A
7.4	A listed entity should disclose whether it has any material exposure to environmental and social risks and, if it does, how it manages or intends to manage those risks.	9 and Operating and financial review	Yes
Principle 8 Remunerate Fairly and Responsibly			
8.1	The board of a listed entity should: (a) have a remuneration committee which: (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 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.	3(b)	Yes Yes Yes Yes Yes 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.	Remuneration Report	Yes
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	6(d)	Yes Yes

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

Directors' Report

For the year ended 31 January 2021

The Directors present their report on Sigma Healthcare Limited (the Company) and its controlled entities (the Group) for the year ended 31 January 2021.

Directors

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

Name	Particulars
Mr Raymond M Gunston <i>BComm (Hons), DipEd, FCPA, FTA, GAICD</i> Non-Executive Chairman and Director	Appointed a Director of Sigma Healthcare Limited in July 2010 and Chairman of Sigma Healthcare Limited in May 2020. Mr Gunston is a Non-Executive Director and Chairman of the Board of Hotel Property Investments Limited. He has over 40 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 of the Australian Football League, 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 Chairman of AFL Stadia Pty. Ltd. (Marvel Stadium). Mr Gunston 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 he 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, Member of the People and Remuneration Committee	Appointed a Director of Sigma Healthcare Limited in June 2007. Mr Bayes is the current Chairman of Plarre Foods Pty Ltd, a food manufacturing and retail franchise group trading as Ferguson Plarre Bakehouses, is a Non-Executive Director of Shine Corporate Ltd (SHJ) and is the recent past President of the Victoria Council, Australian Institute of Company Directors (AICD). Mr Bayes has over 35 years' experience in multi-outlet retail businesses and 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 The Australian Institute of Company Directors and 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 has not held any directorships of listed entities in addition to those set out above during the last three years.
Mr David G Manuel <i>BPharm, MPS, MAICD</i> Non-Executive Director, Member of the People and Remuneration Committee, Member of the Risk Management and Audit Committee	Appointed a Director of Sigma Healthcare Limited in October 2009. Mr Manuel is a community pharmacist proprietor and an active participant in industry affairs with a special interest in cognitive services such as opiate dependency treatments, compounding, medical technology and aged care pharmacy services. Mr Manuel is a Director of Alchemy Healthcare Pty Ltd, Black Swan Healthcare Ltd, and Elements Health Care Pty Ltd. He is a current Western Australian representative on the Amcal Guardian National Council (AGNC) and a current Branch Committee Member of The Pharmacy Guild of Australia (WA Branch). Mr Manuel has not held a directorship of any other listed entity during the last three years.

Directors' Report continued

For the year ended 31 January 2021

Name	Particulars
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 adviser, 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, and CIMIC Ltd.</p> <p>Ms Spargo has held a directorship in listed entities over the past three years as Non-Executive Director in Xenith IP Ltd and Fletcher Building Limited.</p> <p>In addition, Ms Spargo's current positions in unlisted companies include Chairman of ColInvest and Director at the Geelong Football Club and Future Fuels Cooperative Research Centre.</p>
Ms Christine Bartlett <i>BSc, MAICD</i> Non-Executive Director, Chair 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 Reliance Worldwide Corporation Ltd. Ms Bartlett resigned as a Director of GBST Ltd in November 2019.</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 TAL. Ms Bartlett is a member of Chief Executive Women and the Australian Institute of Company Directors.</p>

Name	Particulars
Mr Michael Sammells <i>BBus (Acc), FCPA, GAICD</i> Non-Executive Director, Chair of Risk Management and Audit Committee	<p>Appointed a Director of Sigma Healthcare Limited in February 2020. Mr Sammells is currently a Non-Executive Director at AMP. Mr Sammells has 35 years of broad experience in finance, corporate services, and has held operational roles with expertise in finance, accounting, treasury, investor relations, capital developments, mergers and acquisitions and IPOs. Mr Sammells is a former Chief Financial Officer of Healthscope Limited and Medibank Private.</p> <p>Mr Sammells has not held any other directorships in listed entities in addition to those set out above during the past three years.</p>

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

Mr Brian Jamieson retired as Chairman on 13 May 2020.

Principal Activity

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

The Group has a national presence in the hospital pharmacy distribution market, and through its network infrastructure, provides third party and fourth party logistics services.

The Group also provides dose administration aid and related services through its Medication Packaging Systems (MPS) business and the supply of medical and allied products through its Medical Industries Australia (MIA) 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 19 to 24.

Environmental Regulations

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

Dividends

No interim dividend was paid.

Since the end of the year, the Directors have resolved to pay a final dividend of 1.0 cents per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 January 2021. The ex-dividend date is 6 April 2021, the record date is 7 April 2021 and it is expected to be paid on 21 April 2021. The total amount payable is \$10.6 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 and the comparative period are set out in Note 26.

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 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 47.

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 25 to 46, 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.

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' Report continued

For the year ended 31 January 2021

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 R Gunston	556,188	-
Mr M Hooper	15,044,467	18,645,270
Mr D Bayes	445,834	-
Mr D Manuel	309,936	-
Ms K Spargo	256,253	-
Ms C Bartlett	141,715	-
Mr M Sammells	34,253	-

Board and committee meeting attendance

The following table sets out the number of Board and Committee meetings held during the year and the number attended by each Director or Committee member while the Director was a member of the Board or relevant Committee. During the year, eight 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 R Gunston	8	8	1	1 ⁴	2	2 ⁴
Mr B Jamieson	3	3 ³	-	-	-	-
Mr M Hooper	8	8	-	-	-	-
Mr D Bayes ²	8	8	1	1 ⁵	5	5
Mr D Manuel ^{1, 2}	8	8	4	4 ⁵	5	5
Ms K Spargo ¹	8	8	5	5	-	-
Ms C Bartlett ²	8	8	-	-	5	5
Mr M Sammells ¹	8	8	5	5	-	-

1. Risk Management and Audit Committee Member.

2. People and Remuneration Committee Member.

3. B Jamieson retired as Chairman in May 2020.

4. R Gunston ceased to be a member of the Risk Management and Audit Committee and People and Remuneration Committee on appointment as Chairman in May 2020.

5. D Manuel replaced D Bayes as a member of the Risk Management and Audit Committee in May 2020.

Subsequent Events

Subsequent to 31 January 2021, the following events and transactions have occurred:

Dividend

Since the end of the year, the Directors have resolved to pay a final dividend of 1.0 cents per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 January 2021. The ex-dividend date is 6 April 2021, the record date is 7 April 2021 and it is expected to be paid on 21 April 2021. The total amount payable is \$10.6 million.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 January 2021 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years not otherwise disclosed.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*, dated 22 March 2021.



Mr Raymond M Gunston
Chairman

Melbourne
22 March 2021



Mr Mark Hooper
CEO and Managing Director

Operating and Financial Review

For the year ended 31 January 2021

Overview of Operations

The Group is 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 WholeLife, 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 a broad range of customers, including aged care facilities, 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 to pharmaceutical manufacturers and other supplier partners.

Key Events and Changes in State of Affairs

Although the general nature of the Group's operations has not changed for the period, performance for the year ended 31 January 2021 has been impacted by a number of events that need consideration when comparing to the prior period, these include:

COVID-19 (Coronavirus)

In early 2020, there was a global outbreak of a novel strain of coronavirus (COVID-19), since declared a global pandemic. The response in Australia and internationally, including mandates from federal, state and other authorities, to mitigate the spread of the virus, has and continues to, evolve rapidly, and has had a significant impact on local and international economies.

The Group is committed to supporting Government and community efforts to limit the spread of COVID-19. As a provider of essential services, the Group has, and continues to be, focused on implementing practices to enable the continued service of customers, their patients and the local community, whilst prioritising the health and well-being of team members and other business stakeholders.

The Group's operations for the year, and up to the date of this report, were impacted by the COVID-19 pandemic and the actions put in place to contain and respond to the virus.

Health, Safety and Well-being

As a result of COVID-19, the Group invested in additional measures to protect the health, safety and well-being of all team members, and visitors to its sites, including:

- establishing a COVID-19 working group to govern the impact, including developing a COVID-19 risk register, establishing COVID-safe operating and response plans, and other key matters in responding to the pandemic;
- additional and intensive cleaning of all offices and distribution centres;
- additional health and safety practices in line with the COVID-19 response plan, including hygiene protocols, physical distancing, health monitoring, temperature checks and compulsory personal protective equipment for all team members and visitors;
- increased mental and wellbeing support for all team members;
- changes to business continuity plans to accommodate risks associated with the pandemic;
- restrictions on travel, meetings and visitors on site and increased working from home arrangements; and
- additional security and other team members, to assist with implementing COVID-19 compliance activities.

The above measures did not materially impact financial performance for the period, although there was an increase in expenses to accommodate the new measures and equipment to support remote working.

Business Performance and Operations

Demand for personal protective equipment (PPE) and medical consumable products was especially high from pharmacies, hospitals and institutional customers.

The Sigma retail business was negatively impacted as a result of restrictive measures, most notably from reduced income from marketing and promotional activity in the first half of the year. With restrictions relaxing in the second half, part of this shortfall has been recovered due to the rephasing of planned activities.

For our MPS business, the impact of COVID-19 on aged care facilities has meant a negative impact on volumes, however the business has taken the opportunity to work on upgrading its systems to enhance future support for patients and their families.

The provision for expected credit losses has increased as a result of the expected credit loss rates applied to pharmacy trade debtors as well as provisions for debtors in areas hardest hit by the impact of the pandemic, such as airports and large shopping centres.

Operating and Financial Review continued

For the year ended 31 January 2021

Key Events and Changes in State of Affairs continued

In addition to the above we note the following:

- There were no closures of, or reduction in operations at, the Group's distribution centres as a result of the pandemic.
- The Group did not obtain any government subsidies or concessions associated with responding to the pandemic.

Overall the financial performance of the Group for the year reflected the net effect of higher sales volumes of medical consumables, outweighing the reduced merchandise, marketing and aged-care income, higher expected credit loss provision and other operational expenses.

Sale and Leaseback Transaction

On 21 August 2020 Sigma completed the sale and leaseback of two of its distribution centres at Kemps Creek (NSW) and Berrinba (QLD) for proceeds totalling \$172 million. As part of the agreement, Sigma entered into a 15-year lease agreement with two five-year options to extend at both sites.

The sale and leaseback transaction has been accounted for in the period in accordance with AASB 16 Leases. The key impacts of the transaction have been the following:

- proceeds received totalling \$172 million;
- derecognition of the carrying value of property plant and equipment across both sites at the completion date of \$89 million;
- the recognition of lease liabilities and right-of-use assets for both leases in accordance with AASB 16. The value of the right-of-use assets include consideration of initial direct costs (selling costs) and the estimated cost to restore the sites at the end of the lease terms;
- an accounting gain on sale of \$30 million (before tax) recorded to profit or loss in accordance with AASB 16;
- the Group utilised carried forward capital tax losses against the capital gain associated with the transaction; and
- the annual lease cost during the full first year of the leases across both sites is \$8 million.

Refinancing of Debt Facilities

On 21 December 2020 the Group extended, and made amendments to, its existing debt facility with the Westpac Banking Corporation (Westpac). The updated debt facility has a capacity of \$250 million across two tranches, an overdraft facility (\$66 million drawn at year end, classified as current on the balance sheet) and a cash advanced facility (unused at year end). Both tranches mature on 20 November 2023.

Business Transformation Program

The Group commenced a major business transformation program (Project Pivot) in 2018/19. Project Pivot has delivered the targets set for this critical transformation program when announced two years ago. The program was designed to deliver over \$100 million in efficiency gains by removing the variable costs to serve Chemist Warehouse, as well as drive further step changes in operational efficiencies across the entire business. With the target achieved, we have now closed Project Pivot and transitioned the learnings and ongoing activities into business as usual.

Expenses to execute the transformation program, including external consultant costs, have been incurred during the period and are recorded across administration, sales and marketing and warehousing and delivery expenses. These expenses are considered non-operating and excluded from the underlying result.

MC/CW Group FMCG Supply Arrangement

In November 2019 the Group announced a new arrangement with the MC/CW Group to supply FMCG (fast-moving consumer goods) products from 1 December 2019 through to 30 June 2024. This volume had previously transitioned out of the business.

At the end of the prior period, volume had started to transition back into the Group, and by June 2020 it had largely reached full run rate. This supply will contribute around \$800 million to revenue in the first year of full supply.

Industry Regulation

During the period, wholesalers, as well as community pharmacies, saw greater regulatory certainty secured for the industry with agreement reached on the terms of the Seventh Community Pharmacy Agreement (7CPA) and the Community Service Obligation (CSO). These are critical agreements that underpin the ability of wholesalers and pharmacies to support the Governments National Medicines Policy and ultimately access to medicines for patients in the community.

In addition to funding increases for pharmacies, increased funding was provided to wholesalers which will go some way in offsetting the impact in recent years from fiscal tightening and PBS reform. Also relevant has been agreement from the government to implement a pricing floor in the determination of wholesale margin, providing a base level funding commitment to underpin the services provided to government and the community.

Distribution Centre Optimisation Program

Sigma is in the final stages of its major infrastructure investment program across its distribution network that commenced in 2016/17. Early in the year operations commenced at the new distribution centre at Kemps Creek (NSW), and at year end the new site in Truganina (VIC) is well advanced, already servicing hospitals and contract logistics customers.

With these new sites, total capital expenditure on the network is over \$300 million over the past four years. This investment provides the Group with the most modern automated picking systems available in the healthcare industry, enabling our businesses to continue to grow and meet our customer needs with accuracy and speed.

ERP and IT Systems Investment

To support our investment in our network infrastructure, people and emerging businesses, as reported in the prior period, the Group is investing in its IT systems across the business. This investment is headlined by the implementation of the SAP S/4HANA Enterprise Resource Planning (ERP) system. This is a \$65 million investment that provides a much-needed step change in capability and data intelligence and implementation is expected to be concluded in the fourth quarter of the 2021 calendar year.

Implementing a standardised ERP system will enable us to integrate the core processes required to manage our warehouse, supply chain, sales, products and services lifecycle, finance and asset management activities across the Group. Benefits of implementing a centralised ERP include increased efficiency and productivity through standardised business processes, reduced operating costs, enhanced customer satisfaction through improved accuracy and task speed, and improved team member satisfaction.

In addition to the ERP, the new Customer Relationship Management (CRM) system was deployed in March 2020 following a six-month project to consolidate the Group's various existing CRM platforms into one enterprise-wide instance of Salesforce. An enterprise CRM provides a single, shared view of our customers, which create opportunities for us to build better relationships, improving loyalty and customer retention.

Financial Performance

The Group reported net profit after tax (NPAT) attributable to owners of the company for the year ended 31 January 2021 of \$59,761,000 which was up \$72,091,000 from the prior period (\$12,330,000 loss). Reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$94,198,000 was up 289.2% on the prior period (\$24,200,000).

The result in both periods was impacted by non-operating items. For the current year these include:

- expenses of \$14,716,000 before tax (\$10,301,000 after tax) were incurred from the Group's restructuring, transformation and dual operating activities from managing the distribution centre optimisation program and business transformation program (2020: \$39,662,000 before tax);
- expenses of \$3,687,000 before tax (\$2,581,000 after tax) in relation to due diligence and integration activities (2020: \$4,261,000 net benefit which included the receipt of a legal settlement); and

- gain on sale of assets of \$29,444,000 before tax (\$43,558,000 after tax) in relation to the sale and leaseback transaction during the period and the disposal of two dormant distribution centres in Newcastle (NSW) and Belmont (WA) that were closed last year. The after-tax position is impacted by the utilisation of capital losses against the taxable gain from the sale and leaseback transaction.

Removing the impact of these adjustments, underlying NPAT attributable to owners of the company was up 134% to \$29,085,000 (\$12,450,000 in the prior period). Underlying EBITDA of \$83,157,000 was up 39.5% from \$59,601,000 reported in the prior period as reported in the below reconciliation.

The result includes the impact of accounting for the Group's leases under the lease accounting standard AASB 16 Leases. This had the impact of increasing EBITDA by \$14,787,000 (2020: \$11,517,000), increasing EBIT by \$3,830,000 (2020: \$1,904,000) and decreasing NPAT by \$801,000 (2020: \$157,000).

	31 January 2021 \$'000	31 January 2020 \$'000
Reported EBIT	63,210	(3,058)
Add: Reported depreciation and amortisation	30,988	27,258
Reported EBITDA	94,198	24,200
<i>Add back:</i>		
Restructuring, transformation and dual operating costs before tax	14,716	39,662
Due diligence, integration and litigation costs/(benefit) before tax	3,687	(4,261)
(Gain)/loss on sale of assets before tax	(29,444)	-
Underlying EBITDA	83,157	59,601
Less: Reported depreciation and amortisation	(30,988)	(27,258)
Underlying EBIT	52,169	32,343
Less: Non-controlling interests before interest and tax	(2,096)	(1,372)
Underlying EBIT attributable to owners of the Company	50,073	30,971
Reported NPAT attributable to owners of the Company	59,761	(12,330)
<i>Add back:</i>		
Restructuring, transformation and dual operating costs after tax	10,301	27,763
Due diligence, integration and litigation costs/(benefit) after tax	2,581	(2,983)
(Gain)/loss on sale of assets after tax	(43,558)	-
Underlying NPAT attributable to owners of the Company	29,085	12,450

Operating and Financial Review continued

For the year ended 31 January 2021

Financial Performance continued

Sales revenue was \$3,400,379,000 up 4.8% on the prior period of \$3,244,264,000. This result was impacted by a range of contributing factors including:

- an increase in retail pharmacy wholesale revenue (excluding My Chemist/Chemist Warehouse (MC/CW) Group) of 11.4% from new and existing customers;
- an increase in the sale of medical consumables and protective personal equipment;
- an increase in hospitals revenue of 15.0% resulting from growth in sales across Victorian, Western Australian and New South Wales;
- an offsetting net decrease in volume from the MC/CW Group compared to the prior period following the return of their FMCG business; and
- an offsetting net decrease from reduced prices from ongoing Pharmaceutical Benefits Scheme (PBS) price reform.

Gross profit for the period increased by 11.2% to \$239,190,000 compared to \$215,020,000 in the prior period, with total gross margin of 7.0% increasing from 6.6%. The increase in gross margin has been driven by the proportional change in sales mix between PBS and FMCG products, particularly in relation to medical consumables and personal protective equipment during the year. This increase was partially offset by the increase in lower margin sales contributed from the hospitals business and ongoing PBS reform.

Other revenue of \$138,407,000 was up 41.1% from \$98,106,000 in the prior period. This result was impacted by gains recorded on the disposal of assets during the period, most notably as a result of the sale and leaseback transaction. Excluding the impact of these gains, other revenue was up 11.1% to \$109.0 million due to the growth in income from membership fees and the full year impact of the increase in aged care packaging business achieved in the prior period, particularly through Victoria. Other revenue also includes the Group's pharmacy brand member fees, rebates, promotional and marketing income and income from data analytics services.

Warehouse and delivery expenses were \$147,182,000, down 2.5% from the prior period (\$150,982,000). There were several contributing factors to this decrease, including:

- a decrease in redundancy, restructuring and dual operating costs associated with the distribution centre optimisation program and business transformation activities;
- a decrease from improved efficiency and automation across the distribution network;
- a net decrease in volume from the MC/CW Group;
- an offsetting increase from volume growth of 4.7% across the network; and
- an offsetting increase in payroll costs in accordance with enterprise agreements.

Sales and marketing expenses of \$67,425,000 for the period were down 3.6% from \$69,965,000 in the prior period. This result is impacted by additional provision for expected credit losses, excluding this item, expenses were down 10.0%, or \$7.0 million, attributable to cost efficiencies associated with the Group's transformational efforts over the last 18 months.

Administration costs for the year were up 1.2% to \$68,792,000 (\$67,979,000 in the prior period). The result for prior year included the receipt of a legal settlement with a third party, excluding this amount, total expenditure has decreased circa 6.5% attributable to lower expenditure associated with the Group's transformation activities.

Depreciation and amortisation expenses of \$30,988,000 were 13.7% higher than prior period (2020: \$27,258,000). Depreciation includes \$11.0 million attributable to right-of-use assets, an increase of \$1.4 million from prior period due to the new leases at Kemps Creek and Berrinba as part of the sale and leaseback transaction. Excluding leases, depreciation increased \$2.3 million or 13.5%, which was attributable to operations at the new Kemps Creek site, which commenced in late 2020.

Net interest expense of \$11,463,000 was down 9.8% from \$12,702,000 in the prior period. Interest expense includes \$5.0 million attributable to lease liabilities, an increase of \$1.3 million from prior period due to the new leases at Kemps Creek and Berrinba as part of the sale and leaseback transaction. Excluding leases, net interest expense was \$6.5m, \$4.1m down on prior period, reflecting the lower net debt position of the Group.

An income tax benefit of \$9,504,000 was recorded for the year, compared to a \$4,293,000 benefit in the prior period. The reported income tax position is driven by the impact of the utilisation of carried forward capital tax losses (\$22.9 million tax effected) against the taxable gain on sale associated with the sale and leaseback transaction. Excluding the impact of the accounting profit on the sale and leaseback and its tax impact, the effective tax rate for the year was 26.0% (2020: 27.2%).

Financial Position

The Group's net assets at 31 January 2021 have increased by \$58,165,000 or 12.2% from \$476,740,000 to \$534,905,000. This increase largely reflects reported profit for the period.

Sigma completed a sale and leaseback of two of its distribution centres at Kemps Creek (NSW) and Berrinba (QLD) for proceeds totalling \$172 million during August 2020. The impact of this transaction is evident on the balance sheet, with a decrease in net debt, a decrease in property plant and equipment, an increase in lease liabilities and right-of-use assets and an increase in equity as a result of the accounting gain on sale recorded to profit or loss.

Working capital has increased by \$60,393,000 over the year to \$294,195,000. 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 5 days to 31 days. The contributing factors to this increase have been the return of the MC/CW Group FMCG volume, higher sales volume year on year and the timing of some supplier payments around balance date compared to the comparative period.

The Group's net debt position has decreased to \$50,251,000 at the year end (2020: \$145,978,000). This has been driven by the impact of the sale and leaseback transaction, offset by the continued capital investment in the network and IT systems and the increase in working capital noted above.

Underlying return on invested capital ("ROIC")¹ for the current period was 10.1% compared to 7.1% for the prior period. The increase reflects the higher underlying result partially offset by higher invested capital employed during the period as a result of the inclusion of the assets of recently completed assets in the distribution network.

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:

Risk	Mitigation
<p>Australian community pharmacy regulatory reform and/or legislative changes 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>	<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. • Ongoing business development to diversify revenue streams away from PBS dependency. • Ongoing investment in systems and processes to ensure compliance with regulatory requirements.
<p>Delivery of key strategic initiatives There is a risk of Sigma not achieving its strategic priorities if we fail to deliver our key strategic projects, including our investment in distribution network infrastructure, new enterprise resource planning system (ERP) and the integration of our acquisitions/subsidiaries successfully.</p>	<ul style="list-style-type: none"> • 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. • Detailed project planning with resource support from external experts. • Executive sponsorship and responsibility of all key strategic projects/subsidiaries with Board oversight.
<p>Financial risk The Group is exposed to various financial risks impacting economic viability including customer defaults, loss of inventory from damage or obsolescence, loss of material customers and general retail trading conditions.</p>	<ul style="list-style-type: none"> • Sigma has governance in place to address all its major financial risks, particularly in relation to working capital. Specific examples include: <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 and key customer groups. • Structured process to review funding and debt needs overseen by the CFO.

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.

Operating and Financial Review continued

For the year ended 31 January 2021

Risk	Mitigation
<p>Liquidity risk Effective liquidity management is imperative to meet the Group's ongoing funding requirements in executing the capital expenditure program, investment in systems, management of working capital and overall strategy.</p>	<ul style="list-style-type: none"> • Cash forecasting and monitoring of financial ratios, cash conversion metrics and funding covenants. • Regular review of the appropriateness of the Group's debt facilities and funding sources. • Standard trading terms for trade debtors and creditors and governance of the approval of variations to these terms. • Robust working capital management (see financial risk above).
<p>Operations risk The Group is exposed to several risks that have the potential to materially impact operations or result in business interruption. This includes industrial action, workplace health and safety and the loss or outage of critical infrastructure.</p>	<ul style="list-style-type: none"> • Sigma has various controls in place to address risks to its operations, some specific examples include: • Enterprise agreement strategies and site-specific planning. • Business continuity plans and disaster recovery capability and technology for core systems. • Capital investment in distribution centre network infrastructure • Robust health and safety management system and dedicated health and safety resources.
<p>IT infrastructure and systems IT infrastructure and systems do not adequately support the current and future needs of the business and do not protect against cyber risk.</p>	<ul style="list-style-type: none"> • The implementation of a new enterprise resource planning system (ERP) and customer relationship management (CRM) system. • IT governance structure in place to manage the existing IT environment, including an Architecture Review Council that administers IT change management. • Investment in business reporting tools and data management governance. • Standardisation of Managed Operating Environment (MOE) and Standard Operating Environment (SOE).

Risk	Mitigation
<p>Social and environmental sustainability risk We are committed to delivering sustainable outcomes for investors, customers, communities and the environment, today and for the future. Sigma recognises the risk on our reputation and operations from not delivering on this commitment.</p>	<ul style="list-style-type: none"> • Establishment of environment, social and governance (ESG) strategy and reporting with the support of external experts. • Identifying and managing and mitigating environmental risks from our operations, particularly our distribution centre network. • Commitment to the covenant sustainable packaging guidelines. • Active community engagement in various charity organisations and other targeted programs • Supply chain review, changes to the procurement process and amendment of standard contracts in response to Modern Slavery legislation.
<p>Climate change risk (emerging risk) Climate change presents an evolving risk for Sigma. This include potential disruption to operations from extreme weather events, but also due to such things as changes to laws and regulations and not meeting stakeholder expectations, resulting in reputational damage.</p>	<ul style="list-style-type: none"> • Inclusion of climate change as a key matter in the Group's ESG reporting • Identifying the major business inputs that contribute to our overall environmental footprint and implementing actions to help to reduce this footprint (e.g. waste, packaging, energy efficiency). • Establishment of processes to measure, track and report energy use and greenhouse gas (GHG) emissions in 2020/21. • Climate related risks and potential financial impacts assessed in line with the Group's risk management framework. • Business continuity plans in place to respond to disruption to operations.

Remuneration Report

For the year ended 31 January 2021

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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

Remuneration Report continued

For the year ended 31 January 2021

Introduction

Dear Shareholders

On behalf of the Sigma Board, I present the Remuneration Report (Report) for the year ended 31 January 2021 (financial year).

This financial year saw challenging circumstances for our team members, customers, suppliers and the broader community as we navigated the impacts of bushfires and a global pandemic. The combination of our team members' commitment, focused leadership and strong business fundamentals meant that we were able to respond quickly to support our stakeholders; all of whom play a critical role in delivering community health solutions.

Company Performance

The financial year has seen a year of strong performance both in terms of financial outcomes and progress on strategic initiatives.

Underlying EBITDA was up by 39.2% to \$81.1 million and our return on invested capital has also returned above 10%. Further details are provided in the Review of Operations. Sigma was in the fortunate position to deliver this strong performance without reliance on any Federal Government COVID-19 related support such as JobKeeper payments.

Led by the CEO/Managing Director and supported by his executive team and a committed workforce, the Company has also delivered several critical business initiatives to position Sigma for future growth. These include:

- Continuation of the successful Distribution Centre (DC) Network Optimisation program, with the new Truganina (VIC) and Kempas Creek (NSW) DCs operational under time and under budget as well as the closure of the Dandenong (VIC), Seven Hills (NSW) and Yatala DCs (QLD);
- Completion of a sale and leaseback transaction for two DCs (Kempas Creek in NSW and Berrinba in QLD) with proceeds of \$172 million reducing debt and strengthening our balance sheet; and
- The completion of the Project Pivot Business Transformation program delivering annualised benefits in excess of \$100 million; producing a leaner and more efficient business moving forward.

The business has stepped up to support customers impacted by bushfires and the challenges of the global COVID-19 pandemic. By implementing the requirements of our COVID High Risk Safety Plans, our DCs and Medication Packaging Service facilities were able to safely maintain operations providing an important service to our Pharmacy, Hospitals, Aged Care facilities and Government customers during periods of increased demand. This was also reflected in an improvement in our customer engagement scores throughout the year.

Importantly, we also continue to see improvement in our team member engagement with 84% of team member respondents agreeing that 'on balance, Sigma Healthcare is a truly great place to work'. This is despite the challenges of COVID-19 noted above and many of our office-based team members working remotely for much of the year.

Changes to our Remuneration Framework

I would like to acknowledge the first strike received against the Company's Remuneration Report for last year, and related feedback received at the time of the Company's last Annual General Meeting (AGM). Representatives of the Board have since engaged in detailed discussions with various stakeholders (including proxy advisors) and sought to address the feedback as appropriate. A review of our remuneration framework was undertaken to continue to improve disclosure and alignment with the interests of our shareholders, while continuing to appropriately recognise and reward executive performance. A remuneration consultant also provided advice on how the remuneration report could be enhanced.

The review has resulted in the following changes being implemented for the 2021/2022 financial year:

- STI financial KPIs will increase to 50% of the total reward opportunity for KMP. This continues a re-alignment of STI weightings that commenced in the 2020/21 financial year with financial KPIs for the CEO/Managing Director having increased from 30% to 40%;
- The introduction of a 12-month deferral of 25% of any STI reward payable for the CEO/Managing Director and other KMP;
- The creation of a minimum shareholding policy with a 5-year accumulation period of 100% of CEO/Managing Director's annual fixed pay, and 50% of annual fixed pay for other KMP;
- The removal of cliff vesting within the LTI plan with the introduction of a graduated vesting schedule for the Return on Invested Capital (ROIC) measure. In response to feedback, additional detail has also been captured in this Report regarding the ROIC target and what it measures in both the STI and LTI plans; and
- The inclusion in this Remuneration Report of additional detail including disclosure of the existing change of control provisions in the LTI Plan, and non-financial measures for the CEO/Managing Director STI.

Remuneration Outcomes in 2020/21

STI Outcomes

In determining the STI outcome for the CEO/Managing Director, the Board assessed the actual financial performance and individual KPI outcomes against set targets in the key focus areas of Customer, Operations, People and Safety. The Board approved an STI payment of \$1,256,748, to be paid in cash. See page 31 for further details.

LTI Outcomes

The LTI plan granted in 2018 did not meet the required ROIC and TSR targets. As a result, no shares vested and all were forfeited.

Fixed Remuneration Review

No increases to fixed remuneration were awarded to the CEO/Managing Director or KMP as part of the annual remuneration review. There were also no increases to Non-Executive Director fees during the financial year.

Other

Our Employee Share Plan continues to be an important element of our remuneration and benefits strategy providing our team members with the opportunity to participate in an equity plan and become a part owner of the Company. I am pleased to advise that currently approximately 46% of our team members are Sigma shareholders.

One-Off Awards

As detailed in Sigma's 2018/19 annual report, extraordinary circumstances resulted in the Company initiating two one-off awards in the 2019/20 financial year. Each Award applied for a two-year timeframe consistent with the objective of retaining senior leadership and essential personnel through a takeover bid and through the critical business transformation. Further details are provided on pages 36 to 37 of this report.

All one-off awards concluded at the end of 2020/21 financial year having been effective in delivering the required outcomes. No new one-off incentives will operate in the 2021/22 financial year.

The Sigma business has performed strongly through challenging times. Our focus on shareholder return is supported by our continued progress on executing our transformational change program and at the same time implementing strategic initiatives. These activities mean we are now positioned for sustainable growth whilst maintaining a strong focus on our shareholders, customers and the provision of services to the communities that we support.

Christine Bartlett

Chair, People and Remuneration Committee

Remuneration Report continued

For the year ended 31 January 2021

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 2021 (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 as listed in the table below.

Non-Executive Directors

Mr B Jamieson	Chairman (retired, ceased as KMP on 13 May 2020)
Mr R Gunston	Non-Executive Director (from 1 February 2020 to 13 May 2020), Chairman (from 14 May 2020)
Ms C Bartlett	Non-Executive Director
Mr D Bayes	Non-Executive Director
Mr D Manuel	Non-Executive Director
Mr M Sammells	Non-Executive Director
Ms K Spargo	Non-Executive Director

Executives

Mr M Hooper	CEO/Managing Director
Mr J Sells	Executive General Manager, Retail Pharmacy (Acting Chief Financial Officer from 1 February 2020 to 30 September 2020)
Mrs J Pearson	Chief Financial Officer (from 1 October 2020)

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

Changes to Executive Remuneration Framework

The Board acknowledges the first strike received against the Company's Remuneration Report for last year, and related feedback received at the time of the Company's last AGM.

Representatives of the Board have since engaged in more detailed discussions with the various stakeholders (including proxy advisors) and sought to address the feedback by making a number of changes as appropriate to continue to improve disclosure and alignment with shareholder interests, while continuing to appropriately recognise and reward executive performance. This has resulted in the following changes:

- STI financial KPIs will increase to 50% for KMP in the 2021/22 financial year. This continues a re-alignment of STI weightings that commenced in 2020/21 FY with financial KPIs for the CEO/Managing Director having increased from 30% to 40%;
- The introduction of a 12-month deferral of 25% of any STI reward payable for the CEO/Managing Director and KMP for the 2021/22 financial year;
- The creation of a minimum shareholding policy with a 5-year accumulation period of 100% of CEO/Managing Director Fixed Remuneration, and 50% for all other KMP;
- The removal of cliff vesting within the LTI plan with the introduction of a graduated vesting schedule for the ROIC measure. In response to feedback, additional detail has also been captured in this Report around the ROIC target and what it measures in both the STI and LTI plans; and
- The inclusion in this Remuneration Report of additional detail including disclosure of the existing change of control provisions in the LTI Plan, and non-financial measures for the CEO/Managing Director STI.

Further details about these changes are contained throughout the Report.

Executive Remuneration Snapshot

Executive remuneration is based on a total reward structure, comprising fixed remuneration and at-risk remuneration. Consisting of short-term incentive (STI) and long-term incentive (LTI), at-risk remuneration aligns executive remuneration to the achievement of strategic and financial objectives that lead to shareholder value creation.

Fixed Remuneration	+	At-Risk Remuneration Short Term Incentive (STI)	+	At-Risk Remuneration Long Term Incentive (LTI)	=	Total Reward
<p>Delivery mechanism</p> <ul style="list-style-type: none"> Cash payment consisting of base salary and statutory superannuation contributions <p>Considerations</p> <ul style="list-style-type: none"> Scope and complexity of the role Experience and performance of the individual executive Internal and external benchmarking <p>Strategic objectives</p> <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 		<p>Delivery mechanism</p> <ul style="list-style-type: none"> Cash payment <p>Performance measures</p> <p>NPAT gateway</p> <ul style="list-style-type: none"> Minimum performance level must be achieved to trigger any STI payments except safety related payments Reflecting the importance of workplace safety, payments for meeting safety KPIs are excluded from the profit gateway <p>Financial measures</p> <ul style="list-style-type: none"> 40% STI comprised of 30% split evenly across NPAT and ROIC and 10% relates to customer outcomes. Budgeted hurdle 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"> 60% of STI is aligned to the achievement of non-financial goals that drive the strategic objectives of the Company <p>Strategic objectives</p> <ul style="list-style-type: none"> NPAT gateway 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 performing culture Financial outcomes are subject to an external audit to maintain integrity of the reward 		<p>Delivery mechanism</p> <ul style="list-style-type: none"> Loan funded share plan with a three-year performance period subject to service and forfeiture conditions <p>Performance measures</p> <p>Absolute TSR</p> <ul style="list-style-type: none"> 50% of 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 LTI is measured against ROIC Vesting of the shares aligned to ROIC will occur when an average ROIC of 10% or higher is achieved during the performance period. (this will transition to a graduated vesting scale in 2021/22) <p>Strategic objectives</p> <ul style="list-style-type: none"> Executive interests are aligned with shareholders, as executives are incentivised to deliver share price growth during the performance period to maximise reward Designed to encourage executives to focus on the key performance drivers which underpin sustainable growth in shareholder value Outcomes are subject to an external audit to maintain integrity of the reward 		<p>Strategic objectives</p> <ul style="list-style-type: none"> Attract, retain and motivate suitably qualified and experienced executives Encourage a strong focus on high performance and outcomes Support the delivery of outstanding results for the Group over the short and long term Align executive and shareholder interests through equity ownership

Remuneration Report continued

For the year ended 31 January 2021

One-off Awards

As foreshadowed in Sigma's 2018/19 annual report, the Company made two one-off awards in the 2019/20 financial year due to unique business circumstances. The Retention Award supported the retention of key executives in response to the takeover announcement from Australian Pharmaceutical Industries (API) following the decision not to renew MyChemist/Chemist Warehouse (MC/CW) supply agreement. The Project Pivot Business Transformation Award was introduced to incentivise the delivery of an enterprise-wide business transformation program that was tasked with delivering in excess of \$100 million per annum in efficiency gains for Sigma.

Retention Award

The Retention Award was considered a critical and successful response in the wake of the API takeover bid in a number of ways:

- The Company was able to retain the senior leadership team, creating stability and continuity for the Company and stakeholders
- Essential personnel and knowledge were retained enabling us to maintain high level of services to our customers and the community during a period of uncertainty and disruption.
- Unforeseen at the time, the Retention Award also played a crucial role in the smooth commencement of the MC/CW FMCG supply agreement, as the essential personnel and knowledge were available to be deployed on short notice.

Subject to service condition, the Retention Award is a cash award of two equal payments with the final payment paid at the end of the 2020/2021 financial year.

Project Pivot Business Transformation Award

In 2019, the Company implemented a significant change program aimed at delivering over \$100 million in efficiency gains. The Project Pivot Business Transformation Award was designed to focus executives on the successful execution and delivery of this business-critical project, over and above their "Business as Usual" responsibilities and deliverables. Project Pivot is reshaping the Company and building a solid foundation for future growth.

The Project Pivot Business Transformation Award is an equity award subject to meeting specific Project Pivot related measures.

The first phase of the project concluded at the end of January 2020 with the efficient exit of the MC/CW business. This was a significant achievement taking into account the scale of the impact, where 500 team members and agency staff exited the business, along with the closure of 3 distribution centres. All of this was achieved with no industrial actions and nil stock write downs, in addition to delivering on other business activities and requirements.

The second phase of this Award was based on targeted efficiency gains from the remaining Pivot workstreams. While the original target of 'at least \$100 million' was achieved not all workstream stretch targets were met and as a result only 80% of the award ultimately vested.

All one-off awards have been effective in delivering their required outcomes and concluded at the end of FY2020/2021. No new one-off incentives will operate in 2021/2022 financial year for Executives.

Company Performance and Remuneration Outcomes

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				
	2020/21	2019/20	2018/19	2017/18	2016/17
Share price (\$)¹	0.624	0.586	0.577	0.904	1.246
Dividends paid in the financial year (cps)	n/a	3.0	4.0	5.5	5.5
TSR²	6.5%³	9.1%	-29.9%	-21.2%	61.7%
Pre-tax ROIC³	10.1%⁶	7.1%⁴	12.2%⁴	16.3%⁶	17.7%⁴
EBIT (\$m)	\$50.1⁸	\$29.1⁸	\$76.2⁸	\$83.7⁷	92.0⁵
NPAT (\$m)	\$29.1⁸	\$13.5⁸	\$45.8⁸	\$55.0⁷	60.8⁵

1. Share price is the volume weighted average price of the Company's shares traded on the ASX for the 20 trading days up to and including 31 January.
2. TSR = (share price appreciation + dividends + value of franking credits)/Sigma share price at the start of financial year.
3. Pre-tax ROIC = EBIT/(Total Shareholder Funds + Net Debt).
4. Adjusted for capital investment in ongoing construction of new distribution centres, business acquisitions and acquisition costs.
5. Adjusted for the impact of the litigation settlement expense and profit of non-controlling interests.
6. Adjusted for capital investment on new distribution centres and business acquisitions.
7. Adjusted for profit from business acquisitions, acquisition costs and profit of non-controlling interests
8. Adjusted for expenses from restructuring, integration and due diligence, gain on sale of assets and profit of non-controlling interests

STI Outcomes

For Executives to qualify for a payment under the STI plan, a pre-agreed level of Company profit must first be achieved (the gateway). Once the gateway has been achieved, the level of payment an 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.

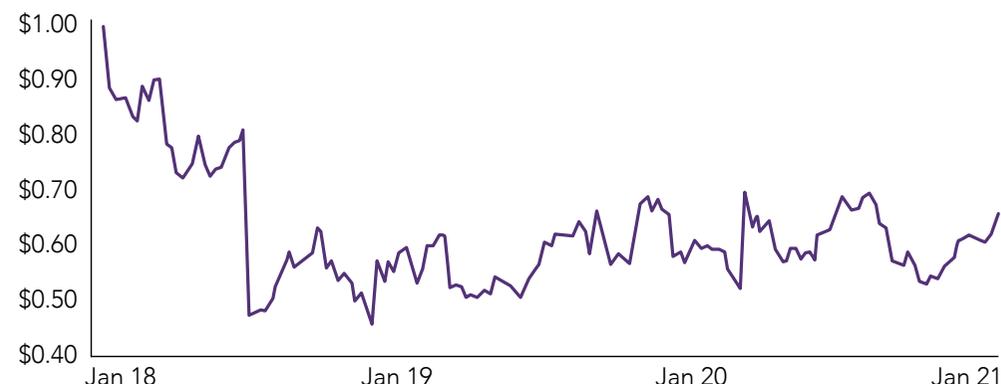
The NPAT result exceeded the gateway requirement for STI payment for the 2020/21 financial year. All of the financial measures under the STI Plan were achieved, and the majority of the non-financial measures in the Plan being Customer, Operations, People and Safety were also achieved. The table below 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	2020/21			2019/20		
		% STI Forfeited	% STI Paid	STI Payment \$	% STI Forfeited	% STI Paid	STI Payment \$
Mr M Hooper	100.0%	5.0%	95.0%	1,256,748	35.0%	65.0%	859,880 ¹
Mr J Sells ²	50.0%	8.7%	91.3%	183,606	40.0%	60.0%	11,411
Mrs J Pearson ²	50.0%	7.5%	92.5%	80,167	n/a	n/a	n/a
TOTAL				1,520,521			871,291

1. Of the STI payment made to Mr Hooper, \$429,940 was paid in cash, with the remaining payment made by way of shares. The number of shares was calculated based on a 5-day volume weighted average price of Sigma shares up to and including the date of payment.
2. The payment relates to the period of time as KMP.

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 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 three financial years.



2018 Long Term Incentive Plan

Under the 2018 LTI loan funded share plan, the Company is required to achieve an average pre-tax ROIC of 12% 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 vesting outcome as approved by the Board:

Performance Period	Performance Measure	Vesting Condition	Actual Achievement	% of LTI Vested	% of LTI Forfeited
1 February 2018 to 31 January 2021	Average pre-tax ROIC	12% or higher	9.8%	0%	50%
	Absolute TSR	<30%, 0% vests ≥30%, 12.5% vests ≥40%, 25% vests ≥50%, 50% vests	19.4%	0%	50%

The absolute TSR and ROIC performance outcomes did not achieve the minimum levels required for vesting. Accordingly, all unvested loan funded shares under the Plan were forfeited to the Sigma Employee Share Administration Pty Ltd (SESA). The outstanding loan balance associated with the unvested shares was also fully discharged.

Remuneration Report continued

For the year ended 31 January 2021

Executives	Lapsed/ Vested and		Exercise Date	Exercise Price	
	Forfeited	Exercisable		\$	Expiry Date
Mr M Hooper	5,648,964	0	1 February 2021	0.905	31 January 2023
Mr J Sells ¹	385,236	0	1 February 2021	0.905	31 January 2023
Mrs J Pearson ¹	126,898	0	1 February 2021	0.905	31 January 2023

1. The number of loan funded shares relates to the period of time as KMP.

Table 3a on page 42 sets out the details of the 2018 LTI plan forfeited by the Executives.

One-off Award Outcomes

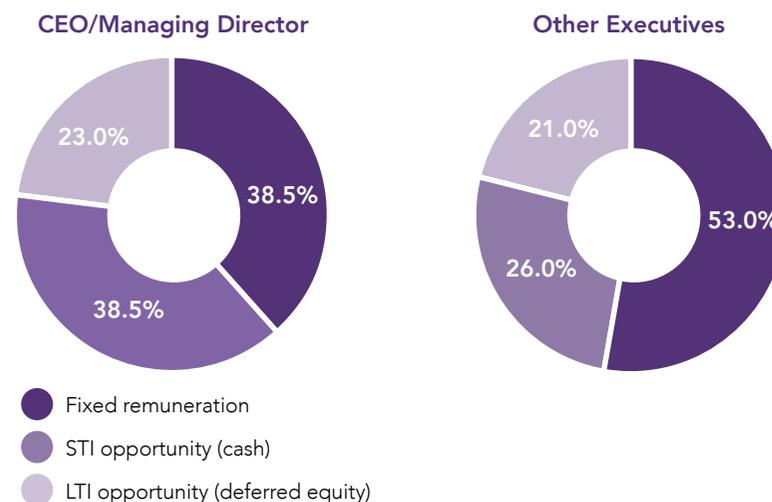
At the conclusion of the 2020/21 financial year, the Board was satisfied that the objectives of the Retention Award were met, and approved a cash payment of \$661,446 to the CEO/Managing Director. The Executive General Manager Retail Pharmacy and Chief Financial Officer received a cash payment of \$150,909 and \$108,333 respectively, reflecting their time served as KMP during the financial year. The Retention Award was one off in nature and has now been closed following the final payments.

The second and final phase of the Project Pivot Business Transformation Award was based on targeted efficiency gains from the remaining Pivot workstreams. While the original target of 'at least \$100 million' was achieved not all individual workstream stretch targets were met and as a result only 80% of the rights allocated in tranche 2 vested on 31 January 2021. Upon vesting, the vested rights will continue to be subject to forfeiture conditions as described in page 37. Executives may elect to exercise the vested rights to Sigma shares on a one for one basis within the prescribed exercise period at no cost.

Table 3b on page 42 sets out the details of the rights vested to the Executives under the Project Pivot Business Transformation Plan.

Executive Remuneration Framework

An appropriate reward mix structure 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 excluding the one-off Retention Award and Pivot Business Transformation Award for Executives is as follows:



Fixed Remuneration

The fixed remuneration component of an Executive's total reward consists of base salary and statutory superannuation contributions. Fixed remuneration is reviewed annually, however there are no guaranteed increases in any contracts of employment. Referenced to market median with scope for incremental increases for exceptional performance, fixed remuneration reflects the complexity of the individual's role, and their experience, knowledge and performance.

Consistent with the approach taken for Non-Executive Directors, there was no increase to the fixed remuneration for the CEO/Managing Director during the financial year.

Short Term Incentive

The STI component of an Executive's total reward is an annual at-risk incentive reward. The STI links a portion of Executive reward opportunity to specific financial and non-financial measures. The one-off retention reward and the Pivot Business Transformation reward granted during the financial year are also detailed below.

Component	Commentary
Maximum STI Reward Value	100% of fixed remuneration for the CEO/Managing Director. 50% of fixed remuneration for other Executives.
Gateway Requirement	An NPAT gateway must be achieved to trigger any STI payment opportunity. The NPAT gateway 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 gateway 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 gateway 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 gateway requirement, are separately established and are payable upon achievement.
Performance Measures Financial	40% of maximum STI reward relate to Group financial measures, comprising 15% against ROIC, 15% against NPAT, with the remaining 10% for customer outcomes. Upon the completion of most of the major business transformation activities, the STI financial KPIs moved for 2020/21 financial year to 40% and will increase to 50% financial with the remaining 50% being for non-financial measures in the 2021/22 financial year. Budgeted NPAT and ROIC have been set based with the appropriate balance that sets challenging targets that are deliverable. Budget must be met for the first level of STI payments and stretch targets are required to be achieved to trigger full payment under the STI Plan.

Component	Commentary									
Performance Measures Financial continued	Rationale for adopting ROIC and NPAT as performance measures ROIC was selected as an appropriate performance measure for the STI Plan as it captures both profitability and effectiveness of capital management against Budget, which are both important measures for shareholders. Using ROIC in the STI Plan means that the annual target can be (and has been) higher or lower than the ROIC measure used for LTI purposes. See page 35 for further details on ROIC in the LTI Plan. NPAT was selected as an appropriate performance measure as it assesses overall Company performance and the generation of shareholder value. 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.									
Performance Measures Non-financial	60% of maximum STI reward relate to non-financial measures, specifically: CEO/Managing Director: <table border="1" data-bbox="1406 802 2157 1018"> <thead> <tr> <th colspan="3">Non-financial measures</th> </tr> <tr> <th>Customer</th> <th>Operations</th> <th>People and safety</th> </tr> </thead> <tbody> <tr> <td>Includes net promoter score</td> <td>Includes project delivery, network optimisation, logistics and delivery indicators, and business transformation</td> <td>Includes group culture and engagement outcome, lost time injuries, and health and safety compliance audit results</td> </tr> </tbody> </table>	Non-financial measures			Customer	Operations	People and safety	Includes net promoter score	Includes project delivery, network optimisation, logistics and delivery indicators, and business transformation	Includes group culture and engagement outcome, lost time injuries, and health and safety compliance audit results
Non-financial measures										
Customer	Operations	People and safety								
Includes net promoter score	Includes project delivery, network optimisation, logistics and delivery indicators, and business transformation	Includes group culture and engagement outcome, lost time injuries, and health and safety compliance audit results								
	Other Executives – operational performance/efficiency, customer engagement and satisfaction, continuous improvement, people and project delivery. Each non-financial measure is selected based on its alignment with key strategic priorities that lead to improved and sustainable shareholder value.									

Remuneration Report continued

For the year ended 31 January 2021

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. Many of these targets (both financial and non-financial) for Executives replicate the targets set for the CEO/Managing Director to ensure alignment of key outcomes</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. The Board is confident that paying the STI in cash is an appropriate recognition of the short-term decisions and action of Executives within the year. This is supported by the LTI equity that rewards Executives for longer term decisions and actions that are aligned to long term shareholder value.</p> <p>For the 2021/22 financial year, 25% of the STI payment for the CEO/Managing Director and KMP will be deferred into cash for 12 months. The Board considered cash an appropriate vehicle in light of the CEO/Managing Director's significant equity holding.</p>
Financial Year Outcome	<p>The NPAT result exceeded the gateway requirement for STI payment for the 2020/21 financial year. Refer to page 31 for further details.</p>

Long Term Incentive

The LTI component of an Executive's total reward is an at-risk equity incentive designed to focus Executives on key performance drivers that 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.

In approving the terms and conditions of each LTI grant, the Board reviews a range of factors including business circumstances on an annual basis. For the 2020 LTI grant, the Board determined a return to the loan funded share plan was the most appropriate delivery vehicle in driving share price growth and shareholder value. Providing the LTI under a loan plan ensures that executives are only rewarded for any increase in share price above the market value on the grant date. This is key for Sigma as it has undergone a significant business restructure over the past 24 months but is seeking to increase stability in its business operations over future years.

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.</p>
Delivery Mechanism	<p>Executives are provided with an interest-free limited recourse loan to fund the acquisition of shares in the Company. The loan period is five years and runs concurrently with the three-year performance period, thus providing a further two-year exercise period beyond the conclusion of the performance period, subject to the vesting conditions being met. The Executives may choose to repay the outstanding loan associated with any vested shares prior to its expiry.</p> <p>The number of shares acquired is equal to the maximum LTI reward value divided by the fair value (calculated using a Black-Scholes options pricing model).</p> <p>The loan value is equal to the number of shares multiplied by the issue price (market price on grant date).</p> <p>The Executives holding loan funded shares have certain rights equal to all other ordinary shareholders, such as voting rights, access to dividends, capital distribution and bonus shares during the loan period.</p> <p>The value of post-tax dividends is applied to repay the outstanding loan. At the expiration of the loan period, the amount to be repaid is the lower of:</p> <ul style="list-style-type: none"> • the outstanding loan less any repayments, and • the market value of the vested shares. <p>Previously forfeited shares were allocated to the CEO/Managing Director and the other Executives for the 2020 LTI plan.</p>

Component	Commentary										
Vesting Conditions	<p>Up to 50% of 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 total shares that vest</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>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. In addition, 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 2020 grant, the remaining 50% of rights will vest if the average pre-tax ROIC is 10% or higher during the performance period (Average ROIC of 11% for the 2019 plan)</p> <p>Pre-tax ROIC = EBIT/(Total Shareholder Funds + Net Debt). This is adjusted for capital investment in ongoing construction of new distribution centres, business acquisitions and acquisition costs, and adjusted for capital investment on new distribution centres and business acquisitions.</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>	% Absolute TSR achieved	% of total shares that vest	<30%	0%	≥30%	12.5%	≥40%	25%	≥50%	50%
% Absolute TSR achieved	% of total shares that vest										
<30%	0%										
≥30%	12.5%										
≥40%	25%										
≥50%	50%										

Component	Commentary
Vesting Conditions continued	<p>Rationale for adopting Absolute TSR and ROIC as vesting conditions</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. The LTI uses average ROIC over 3 years which is designed to ensure that management delivers an acceptable return above the cost of capital over the longer term. This is different to the annual ROIC target used in the STI Plan which measures the company's performance against an annual Budget which is a challenging balance of appropriate stretch objectives and deliverability. Due to the difference in what ROIC measures in both the STI and LTI Plan, both Plans will not necessarily vest off the same results hence justifying using these different contexts of ROIC in both plans respectively.</p> <p>Having reviewed the LTI plan, the Board believed that ROIC continues to be an appropriate vesting condition as it measures capital management effectiveness, including outcomes of multi-year investment decisions. As part of the review, a graduated ROIC vesting scale will be implemented for the 2021 LTI grant.</p>
Re-testing	No re-testing applies – shares that do not vest after testing lapse.
Exercise Price	Nil
Disposal Restrictions	Dealing, transferring or disposing of shares is prohibited until the end of the vesting period.
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>

Remuneration Report continued

For the year ended 31 January 2021

Component	Commentary
Governance	<p>All performance measures under the LTI are clearly defined and measurable. 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 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>The absolute TSR and ROIC performance outcomes did not achieve the minimum levels required for vesting of the 2018 plan. As a result, 100% of the unvested loan funded shares were forfeited. Refer to page 31 and 32 for further details.</p>

Table 3a on page 42 sets out the movements of loan funded shares during the financial year.

One-off Awards

Retention Award

Component	Commentary
Rationale – Retention Award (one-off grant)	<p>The retention award was designed to retain key executives in a time of uncertainty, allowing them to remain focussed on delivering high level service to customers. The Company was also cognisant of shareholder expectations of continued financial performance despite the Company's uncertainty amidst the API takeover offer and the decision not to renew the MC/CW agreement.</p> <p>As such, the Board was unanimous in approving the retention arrangement as part of our proactive risk mitigation strategy to aid retention which would subsequently reduce recruitment risk during a period of uncertainty. By securing critical executives for the short to medium term, the Company significantly reduced risk through increased stability for its employees, brand members, customers and suppliers critical to our on-going operations. This was necessary to preserve and mitigate risk to shareholder value.</p> <p>Cash payment was selected for its simplicity and effectiveness as the retention instrument.</p>
Conditions	<p>Payment is subject to continued employment. The award will be forfeited if this employment condition is not met for any reason including redundancy.</p>

Component	Commentary
Reward Value	<p>100% of fixed remuneration for the CEO/Managing Director. There are varying levels for other Executives.</p>
Governance	<p>The Board, on recommendation from the People and Remuneration Committee, approves retention payments for the CEO/Managing Director and other Executives.</p>
Reward Mechanism	<p>50% of the award was paid at the end of the 2019/2020 financial year. The remaining 50% of award is payable at the end of the 2020/2021 financial year.</p>
Reward Mechanism	<p>50% of the award was paid at the end of the 2019/2020 financial year. The remaining 50% of award is payable at the end of the 2020/2021 financial year.</p>
Term	<p>The plan was closed following the conclusion of the 2020/21 financial year. No further disclosure will be required in future Remuneration Report.</p>
Financial Year Outcome	<p>The employment condition was fully met therefore the remaining 50% of the award became payable following the conclusion of the 2020/2021 financial year. Refer to page 32 for further details.</p>

Pivot Business Transformation Award (one-off grant)

Component	Commentary
Rationale – Pivot Business Transformation Award (one-off grant)	<p>The Pivot Business Transformation Award was designed to drive successful business transformation outcomes for a period of 12 to 24 months, following an extensive review of our operations post the decision not to renew the MC/CW agreement.</p> <p>Executives are incentivised for achieving stretch targets during challenging business circumstances. The demand to deliver this large and ambitious transformation program without disruptions is critical to the future success of the Company and for the creation of shareholder value.</p> <p>Equity was selected to deliver the award to align the transformation outcomes with shareholder benefit.</p>
Performance Measures	<p>50% of the reward relates to the efficient exit of MC/CW business in 2019/20. The remaining 50% of the reward relates to the successful execution of the Project Pivot workstreams in 2020/21 that deliver the targeted savings and cost control measures as approved by the Board. These included organisational redesign, indirect procurement efficiencies and smart spend initiatives.</p>

Component	Commentary
Maximum Value	60% of fixed remuneration for the CEO/Managing Director. On average 40% of fixed remuneration for other Executives.
Reward Mechanism	The award is delivered in a form of a rights plan with 50% of the 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 as approved by the Board. Each tranche of rights have a three-year and two-year exercise period respectively.
Term	The plan was closed following the conclusion of the 2020/21 financial year. Exercise of any vested rights will be disclosed in future Remuneration Report as relevant.
Forfeiture Conditions	In the event of resignation, unvested rights are typically forfeited (subject to Board discretion) and vested rights are retained and can be exercised. In the event of summary dismissal, unvested rights are forfeited as are any vested and unexercised rights. In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.
Governance	The Board, on recommendation from the People and Remuneration Committee, approves the performance targets and performance outcomes. Confirmation of vesting only occurs once the audited year-end accounts have been approved by the Board. The Board has discretion to adjust performance outcomes based on the achievements which are consistent with the Company's strategic priorities and, in the opinion of the Board, enhance shareholder value.
Financial Year Outcome	The second phase of this Award was based on targeted efficiency gains from the remaining Project Pivot workstreams. While the original target of 'at least than \$100 million' was achieved not all workstream stretch targets were achieved and as a result only 80% of the rights allocated in tranche 2 vested on 31 January 2021. Upon vesting, the vested rights will continue to be subject to forfeiture conditions as described above. Executives may elect to exercise the vested rights to Sigma shares on a one for one basis within the prescribed exercise period at no cost. Refer to table 3b on page 42 for further details.

Non-Executive Director Remuneration

Remuneration for the Company's Non-Executive Directors reflects the 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.

Consistent with the approach taken with the CEO/Managing Director and KMP, there was no increase to Non-Executive Director fees during the financial year. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year was \$1,311,374, as set out in Table 1 on page 40.

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 43.

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

For the year ended 31 January 2021

Remuneration Governance, Strategy and Principles

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	Chair (from 1 February 2020 to 13 May 2020), Member (from 14 May 2020)
Ms C Bartlett	Member (from 1 February 2020 to 13 May 2020), Chair (from 14 May 2020)
Mr R Gunston	Member (from 1 February 2020 to 13 May 2020)
Mr D Manuel	Member

In accordance with section 206K of the *Corporations Act 2001*, the Committee has a process for engaging remuneration consultants. The Committee, on behalf of the Board, commissions and receives information, advice and recommendations directly from remuneration consultants, ensuring remuneration recommendations are free of undue influence by management. No remuneration recommendations as defined by the *Corporations Act* were received during the financial year.

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. The remuneration strategy also aims to create sustained value for shareholders and acts in the interests of the community and the customers we serve. The remuneration strategy is underpinned by five principles:



Other Remuneration Disclosures

Equity Restrictions

Unvested equity 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, unexercised LTI or vested LTI that is subject to an outstanding loan balance, should the Board determine the specific circumstance warrants such action.

Change of Control Event

If the Company becomes, or in the opinion of the Board is likely to become, subject to a Change of Control, the Board may at its absolute discretion make a determination that some or all of a participant's equity vest.

Minimum Shareholding Policy

A minimum shareholding policy has been implemented to align the interest of the directors and senior executives with the long-term interest of the Company's shareholders. Under the Policy, the CEO/Managing Director is required to accumulate and maintain a minimum shareholding of 100% of annual fixed pay, and 50% of annual fixed pay for other KMP within a five year period. The Policy also contains details of the Non-Executive Director's minimum shareholding as set out in page 37. The Policy can be viewed on the Company's website at www.sigmahealthcare.com.au.

Employee Share Plan

To align their interests with those of 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 46% 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 3,237,500 previously forfeited shares were used to satisfy the share allocation under the 2020 employee share plan.

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 2021 was \$7,510,106 (2020 \$6,262,258). The amounts receivable at balance date from Mr David Manuel and his Director-related entities included within trade debtors in Note 22 was \$1,109,231 (2020 \$1,486,260). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

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

Service Agreements

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

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

Executives	Notice Period by Company	Notice Period by Employee
Mr M Hooper	12 months	6 months
Mr J Sells	12 months	6 months
Mrs J Pearson	12 months	6 months

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

Remuneration Report continued

For the year ended 31 January 2021

TABLE 1: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2020/21

	Short Term Benefits				Non-Monetary Benefits ³	Post-employment Benefits	Other Long Term Benefits ⁴	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including 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	One-off Awards ⁷		Superannuation Benefits				Rights ⁵	Loan Funded Shares ⁵		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS													
Mr B Jamieson ⁸	94,073	-	n/a	n/a	1,680	5,978	n/a	-	101,731	n/a	n/a	101,731	-
Mr R Gunston	266,428	21,446	n/a	n/a	5,895	20,931	n/a	-	314,700	n/a	n/a	314,700	-
Ms C Bartlett	127,228	37,369	n/a	n/a	5,895	15,637	n/a	-	186,129	n/a	n/a	186,129	-
Mr D Bayes	127,228	35,535	n/a	n/a	5,895	15,463	n/a	-	184,121	n/a	n/a	184,121	-
Mr D Manuel	127,228	41,275	n/a	n/a	5,895	16,008	n/a	-	190,406	n/a	n/a	190,406	-
Mr M Sammells	127,228	46,712	n/a	n/a	5,895	16,524	n/a	-	196,359	n/a	n/a	196,359	-
Ms K Spargo	127,228	27,186	n/a	n/a	5,895	14,669	n/a	-	174,978	n/a	n/a	174,978	-
Subtotal for Non-Executive Directors	996,641	209,523	n/a	n/a	37,050	105,210	n/a	-	1,348,424	n/a	n/a	1,348,424	-
EXECUTIVES													
Mr M Hooper	1,405,290	n/a	1,256,748	661,446	5,895	21,406	24,708	-	3,375,493	203,168	314,254	3,892,915	13
Mr J Sells ⁸	425,630	n/a	183,606	150,909	3,930	14,175	10,599	-	788,849	41,404	63,731	893,984	12
Mrs J Pearson ⁸	167,106	n/a	80,167	108,333	1,965	7,231	4,045	-	368,847	14,343	26,395	409,585	10
Subtotal for Executives	1,998,026	n/a	1,520,521	920,688	11,790	42,812	39,352	-	4,533,189	258,915	404,380	5,196,484	13
TOTAL	2,994,667	209,523	1,520,521	920,688	48,840	148,022	39,352	-	5,881,613	258,915	404,380	6,544,908	10

1. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 37. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

2. Represents cash payments in respect to the 2020/21 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 rights and 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 rights and loan funded shares. Excludes share purchases under the Non-Executive Directors Share Plan.

7. Represents the final tranche of cash payment in respect to the 2019/20 Retention Award.

8. The balances relate to the period as KMP.

TABLE 2: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2019/20

	Short Term Benefits				Non-Monetary Benefits ³	Post-employment Benefits Superannuation Benefits	Other Long Term Benefits ⁴	Termination Payments	Total Remuneration excluding Value in Share-Based Plans	Value in Share-Based Plans		Total Remuneration including 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	One-off Awards ⁹						Rights ⁵	Loan Funded Shares ⁵		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS													
Mr B Jamieson	330,925	-	n/a	n/a	4,436	20,806	n/a	-	356,167	n/a	n/a	356,167	-
Mr D Bayes	127,228	70,683	n/a	n/a	4,436	18,802	n/a	-	221,149	n/a	n/a	221,149	-
Mr R Gunston	127,228	76,120	n/a	n/a	4,436	19,318	n/a	-	227,102	n/a	n/a	227,102	-
Mr D Manuel	127,228	21,748	n/a	n/a	4,436	14,153	n/a	-	167,565	n/a	n/a	167,565	-
Ms K Spargo	127,228	27,186	n/a	n/a	4,436	14,669	n/a	-	173,519	n/a	n/a	173,519	-
Ms C Bartlett	127,228	21,748	n/a	n/a	4,436	14,153	n/a	-	167,565	n/a	n/a	167,565	-
Subtotal for Non-Executive Directors	967,065	217,485	n/a	n/a	26,616	101,901	n/a	-	1,313,067	n/a	n/a	1,313,067	-
EXECUTIVES													
Mr M Hooper	1,388,552	n/a	429,940	661,446	434,376 ⁸	20,806	29,877	-	2,964,997	682,789	263,618	3,911,404	35
Ms I MacPherson ⁷	483,082	n/a	n/a	n/a	4,436	19,460	-	266,009	772,987	-	-	772,987	0
Mr J Sells ¹⁰	21,519	n/a	11,411	14,264	280	1,299	942	-	49,715	13,152	5,098	67,965	27
Subtotal for Executives	1,893,153	n/a	441,351	675,710	439,092	41,565	30,819	266,009	3,787,699	695,941	268,716	4,752,356	20
TOTAL	2,860,218	217,485	441,351	675,710	465,708	143,466	30,819	266,009	5,100,766	695,941	268,716	6,065,423	16

1. For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 37. For the Executives, includes base salary and amounts in respect to annual leave expense movement.
2. Represents cash payments in respect to the 2019/20 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 rights and 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 rights and loan funded shares. Excludes share purchases under the Non-Executive Directors Share Plan.
7. Amounts disclosed reflect statutory remuneration from 1 February 2019 to 8 January 2020 when Ms MacPherson ceased to be a KMP.
8. Amount disclosed includes \$429,940 paid to Mr Hooper by way of a share issue in lieu of a STI payment for the 2019/20 financial year. This amount has been included in the calculation of the Shared Based Payments as Proportion of Remuneration. The number of shares was calculated based on a 5 day volume weighted average price of Sigma shares up to and including the date of payment.
9. Represents cash payment in respect to the 2019/20 Retention Award.
10. The balances relate to the period that Mr J Sells was a KMP.

Remuneration Report continued

For the year ended 31 January 2021

TABLE 3a: LTI loan funded shares: details of movement during the financial year 2020/21

Executive	Grant Date	Share Price at Grant \$	Fair Value Per Share Grant Date ¹ \$	Exercise Price \$	Exercise Date ²	Number of Loan Funded Shares					Loan Value and Balance ³				
						Balance at 01/02/20	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/21	Loan Value at Grant Date \$	Loan Balance at 01/02/20 \$	Loan Repayments During the Year ⁴ \$	Loan Balance at 31/01/21 \$
Mr M Hooper	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	2,362,653	-	-	2,362,653	-	-	3,945,631	1,656,557	1,656,557	-
	01/02/2018	0.9050	0.1600	0.9050	01/02/2021	5,648,964	-	-	5,648,964	-	-	5,112,312	4,812,918	4,812,918	-
	01/02/2020	0.6000	0.1350	0.6000	01/02/2023	-	8,493,355	-	-	-	8,493,355	5,096,013	5,096,013	-	5,096,013
Mr J Sells ⁷	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	725,054	-	-	-	-	725,054	605,420	508,366	-	508,366
	01/02/2018	0.9050	0.1600	0.9050	01/02/2021	1,733,562	-	-	-	-	1,733,562	1,568,874	1,476,995	-	1,476,995
	01/02/2020	0.6000	0.1350	0.6000	01/02/2023	-	2,583,679	-	-	-	2,583,679	1,550,207	1,550,207	-	1,550,207
Mrs J Pearson ⁸	01/02/2016	0.8350	0.2050	0.8350	01/02/2019	414,317	-	-	414,317	-	-	605,420	290,495	290,495	-
	01/02/2018	0.9050	0.1600	0.9050	01/02/2021	1,142,083	-	-	1,142,083	-	-	1,033,585	973,055	973,055	-
	01/02/2020	0.6000	0.1350	0.6000	01/02/2023	-	2,140,097	-	-	-	2,140,097	1,284,058	1,284,058	-	1,284,058

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

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

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

4. Represents loan repayment through forfeited shares.

5. For accounting purposes, the fair value of the rights was calculated using the Black-Scholes option pricing model with Monte Carlo simulations.

6. Rights will only vest after satisfying the specific vesting conditions and are subject to forfeiture conditions.

7. The number of shares and rights at 31 January 2021 represents the balance at the date on which Mr J Sells ceased to be a KMP on 30 September 2020.

8. The number of shares and rights at 1 February 2020 and loan balance at Grant Date represent the balance at the date on which Mrs J Pearson became a KMP on 1 October 2020.

TABLE 3b: Rights: details of movement during the financial year 2020/21

Executive	Grant Date	Fair Value Per Right at Grant date ³ \$	Exercise Price \$	Exercise Date ⁴	Number of Rights				Balance at 31/01/21	Vesting Date	Exercise Date	Expiry Date	
					Balance at 01/02/20	Granted During the Year	Vested During the Year	Forfeited During the Year					Exercised During the Year
Mr M Hooper	01/02/2019	0.5000	-	01/02/2020	738,204	-	-	-	738,204	-	31/01/2020	01/02/2020	31/01/2023
	01/02/2019	0.4700	-	01/02/2021	738,204	-	590,563	147,641	-	590,563	31/01/2021	01/02/2021	31/01/2023
	01/02/2019	0.3000	-	01/02/2022	1,402,094	-	-	-	-	1,402,094	31/01/2022	01/02/2022	31/01/2024
Mr J Sells ¹	01/02/2019	0.5000	-	01/02/2020	225,663	-	-	-	-	225,663	31/01/2020	01/02/2020	31/01/2023
	01/02/2019	0.4700	-	01/02/2021	225,662	-	180,530	45,132	-	180,530	31/01/2021	01/02/2021	31/01/2023
	01/02/2019	0.3000	-	01/02/2022	428,608	-	-	-	-	428,608	31/01/2022	01/02/2022	31/01/2024
Mrs J Pearson ²	01/02/2019	0.4700	-	01/02/2021	156,339	-	125,071	31,268	-	125,071	31/01/2021	01/02/2021	31/01/2023
	01/02/2019	0.3000	-	01/02/2022	296,940	-	-	-	-	296,940	31/01/2022	01/02/2022	31/01/2024

1. The number of shares and rights at 31 January 2021 represents the balance at the date on which Mr J Sells ceased to be a KMP on 30 September 2020.

2. The number of shares and rights at 1 February 2020 and loan balance at Grant Date represent the balance at the date on which Mrs J Pearson became a KMP on 1 October 2020.

3. For accounting purposes, the fair value of the rights was calculated using the Black-Scholes option pricing model with Monte Carlo simulations.

4. Rights will only vest after satisfying the specific vesting conditions and are subject to forfeiture conditions.

TABLE 4a: Shareholdings of key management personnel

2021	Number of Shares at 01/02/2020	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 31/01/2021
NON-EXECUTIVE DIRECTORS						
Mr B Jamieson ¹	990,295	15,595	-	-	-	1,005,890
Mr D Bayes	410,407	35,427	-	-	-	445,834
Mr R Gunston	498,668	57,520	-	-	-	556,188
Mr D Manuel	274,644	35,292	-	-	-	309,936
Ms K Spargo	222,932	33,321	-	-	-	256,253
Ms C Bartlett	103,714	38,001	-	-	-	141,715
Mr M Sammells	-	34,253	-	-	-	34,253
Subtotal for Non-Executive Directors	2,500,660	249,409	-	-	-	2,750,069
EXECUTIVES						
Mr M Hooper	12,676,960	1,367,507	1,000,000	-	-	15,044,467
Mr J Sells ²	3,902,441	-	-	125,000	-	3,777,441
Mrs J Pearson ³	196,461	-	-	-	-	196,461
Subtotal for Executives	16,775,862	1,367,507	1,000,000	125,000	-	19,018,369
TOTAL	19,276,522	1,616,916	1,000,000	125,000	-	21,768,438

1. Ceased to be a KMP on 13 May 2020. The number of shares at 31 January 2021 represents the balance at the date on which Mr B Jamieson ceased to be a KMP on 13 May 2020.

2. The number of shares at 31 January 2021 represents the balance at the date on which Mr J Sells ceased to be a KMP on 30 September 2020.

3. The number of shares at 1 February 2020 represents the balance at the date on which Mrs J Pearson became a KMP on 1 October 2020.

Remuneration Report continued

For the year ended 31 January 2021

TABLE 4a: Shareholdings of key management personnel continued

2020	Number of Shares at 01/02/2019	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 31/01/2020
NON-EXECUTIVE DIRECTORS						
Mr B Jamieson	865,583	75,108	49,604	-	-	990,295
Mr D Bayes	364,104	46,303	-	-	-	410,407
Mr R Gunston	451,093	47,575	-	-	-	498,668
Mr D Manuel	239,790	34,854	-	-	-	274,644
Ms K Spargo	186,805	36,127	-	-	-	222,932
Ms C Bartlett	68,860	34,854	-	-	-	103,714
Subtotal for Non-Executive Directors	2,176,235	274,821	49,604	-	-	2,500,660
EXECUTIVES						
Mr M Hooper	10,371,702	6,848,292	-	4,543,034	-	12,676,960
Ms I MacPherson ¹	57,000	-	-	-	-	57,000
Mr J Sells ²	2,541,144	3,939,024	-	2,877,727	300,000	3,902,441
Subtotal for Executives	12,969,846	10,787,316	-	7,420,761	300,000	16,636,401
TOTAL	15,146,081	11,062,137	49,604	7,420,761	300,000	19,137,061

1. The number of shares at 31 January 2020 represents the balance at the date on which Ms I MacPherson ceased to be a KMP on 8 January 2020.

2. The number of shares at 1 February 2019 represents the balance at the date on which Mr J Sells became a KMP. Shares disclosed in the other changes column were purchases on market and not part of the remuneration arrangement.

TABLE 4b: Performance rights and options (loan funded shares) holdings of key management personnel

	Number of Rights/Options at 01/02/2020	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 31/01/2021
2021					
NON-EXECUTIVE DIRECTORS					
Mr B Jamieson ¹	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
Mr M Sammells	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	10,953,731	8,500,855	738,204	8,159,258	10,557,124
Mr J Sells ²	3,402,161	2,591,179	-	-	5,993,340
Mrs J Pearson ³	4,220,888	-	-	1,587,668	2,633,220
Subtotal for Executives	18,576,780	11,092,034	738,204	9,746,926	19,183,684
TOTAL	18,576,780	11,092,034	738,204	9,746,926	19,183,684

1. The number of shares at 31 January 2021 represents the balance at the date on which Mr B Jamieson ceased to be a KMP on 13 May 2020.

2. The number of shares at 31 January 2021 represents the balance at the date on which Mr J Sells ceased to be a KMP on 30 September 2020.

3. The number of shares at 1 February 2020 represents the balance at the date on which 1 Mrs J Pearson became a KMP on 1 October 2020.

Remuneration Report continued

For the year ended 31 January 2021

TABLE 4b: Performance rights and options (loan funded shares) holdings of key management personnel continued

2020	Number of Rights/Options at 01/02/2019	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 31/01/2020
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	25,580,080	2,886,002	6,848,292	10,664,059	10,953,731
Ms I MacPherson ¹	2,567,134	795,543	-	3,332,677	30,000
Mr J Sells ²	10,528,892	-	3,939,024	3,187,707	3,402,161
Subtotal for Executives	38,676,106	3,681,545	10,787,316	17,184,443	14,385,892
TOTAL	38,676,106	3,681,545	10,787,316	17,184,443	14,385,892

1. The number of shares at 31 January 2020 represents the balance at the date on which Ms I MacPherson ceased to be a KMP on 8 January 2020.

2. The number of rights at 1 February 2019 represents the balance at the date on which Mr J Sells became a KMP on 30 September 2020.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

22 March 2021

The Board of Directors
Sigma Healthcare Limited
3 Myer Place
Rowville, VIC, 3178

Dear Board Members

Auditor's Independence Declaration to 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 2021, 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 faithfully



DELOITTE TOUCHE TOHMATSU



Andrew Reid
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Consolidated Statement of Comprehensive Income

For the year ended 31 January 2021

	Note	2021 \$'000	2020 \$'000
Sales revenue	2	3,400,379	3,244,264
Cost of goods sold		(3,161,189)	(3,029,244)
Gross profit		239,190	215,020
Other revenue	2	138,407	98,106
Warehousing and delivery expenses		(147,182)	(150,982)
Sales and marketing expenses		(67,425)	(69,965)
Administration expenses		(68,792)	(67,979)
Depreciation and amortisation	3	(30,988)	(27,258)
Profit/(Loss) before financing costs and tax expense (EBIT)		63,210	(3,058)
Finance income		362	741
Finance costs		(11,825)	(13,443)
Net finance costs		(11,463)	(12,702)
Profit/(Loss) before income tax		51,747	(15,760)
Income tax benefit/(expense)	4	9,504	4,293
Profit/(loss) for the year		61,251	(11,467)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(50)	7
Income tax relating to components of other comprehensive income	4	15	(2)
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in fair value of equity instruments	18	(3,950)	3,060
Income tax relating to components of other comprehensive income	4	1,185	(918)
Other comprehensive income/(loss) for the year (net of tax)		(2,800)	2,147
Total comprehensive income/(loss) for the year		58,451	(9,320)
<i>Profit/(loss) attributable to:</i>			
Owners of the Company		59,761	(12,330)
Non-controlling interest	20	1,490	863
Profit/(Loss) for the year		61,251	(11,467)
<i>Total comprehensive income/(loss) attributable to:</i>			
Owners of the Company		56,961	(10,183)
Non-controlling interest	20	1,490	863
Total comprehensive income/(loss) for the year		58,451	(9,320)
Earnings/(loss) per share (cents) attributable to owners of the Company			
Basic earnings/(loss) per share	5	6.1	(1.3)
Diluted earnings/(loss) per share	5	5.9	(1.2)

The above consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Balance Sheet

As at 31 January 2021

	Note	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	30	16,128	104,232
Trade and other receivables	8	327,304	296,046
Inventories	9	349,138	315,493
Income tax receivable		-	5,485
Prepayments		9,626	9,708
Assets classified as held for sale	11	-	4,981
Total current assets		702,196	735,945
Non-current assets			
Trade and other receivables	8	1,430	2,183
Property, plant and equipment	11	193,628	255,924
Goodwill and other intangible assets	12	158,059	135,367
Right-of-use assets	14	94,661	43,431
Other financial assets	18	15,303	14,221
Net deferred tax assets	4	40,342	24,996
Total non-current assets		503,423	476,122
Total assets		1,205,619	1,212,067
Current liabilities			
Bank overdraft	17, 30	66,379	-
Trade and other payables	10	426,439	415,731
Borrowings	17	-	135,022
Lease liabilities	14	9,034	7,945
Provisions	13	16,827	15,829
Deferred income		456	1,424
Income tax payable		4,504	-
Other financial liabilities	18	18	-
Total current liabilities		523,657	575,951
Non-current liabilities			
Borrowings	17	-	115,188
Lease liabilities	14	139,818	42,052
Provisions	13	7,239	2,136
Total non-current liabilities		147,057	159,376
Total liabilities		670,714	735,327
Net assets		534,905	476,740
Equity			
Contributed equity	15	1,219,913	1,216,556
Reserves	16	5,228	13,201
Accumulated losses		(690,923)	(753,803)
Non-controlling interest	20	687	786
Total equity		534,905	476,740

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 2021

	Note	Contributed equity			Reserves			Accumulated losses	Non-controlling interest	Total equity
		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 31 January 2019		1,286,244	(78,450)	29	271	5,425	8,107	(708,372)	1,026	514,280
Adjustment on adoption of AASB 16 Leases		-	-	-	-	-	-	(4,424)	-	(4,424)
Balance at 1 February 2019		1,286,244	(78,450)	29	271	5,425	8,107	(712,796)	1,026	509,856
(Loss)/Profit for the year		-	-	-	-	-	-	(12,330)	863	(11,467)
Other comprehensive income		-	-	2,142	5	-	-	-	-	2,147
Total comprehensive income/(loss) for the year		-	-	2,142	5	-	-	(12,330)	863	(9,320)
Transactions with owners in their capacity as owners:										
Employee shares exercised	15(b)	-	7,774	-	-	-	-	-	-	7,774
Share-based remuneration plans		-	-	-	-	1,691	-	-	-	1,691
Share buy-back	15(a)	(50)	-	-	-	-	-	-	-	(50)
Dividends paid	6	-	-	-	-	-	1,815	(31,425)	(1,103)	(30,713)
Dividends applied to equity compensation plan		-	-	-	-	-	(2,498)	-	-	(2,498)
Reclassification of settled and expired share-based transactions		-	1,038	-	-	(2,384)	(1,402)	2,748	-	-
		(50)	8,812	-	-	(693)	(2,085)	(28,677)	(1,103)	(23,796)
Balance at 31 January 2020		1,286,194	(69,638)	2,171	276	4,732	6,022	(753,803)	786	476,740
Balance at 1 February 2020		1,286,194	(69,638)	2,171	276	4,732	6,022	(753,803)	786	476,740
(Loss)/Profit for the year		-	-	-	-	-	-	59,761	1,490	61,251
Other comprehensive income		-	-	(2,765)	(35)	-	-	-	-	(2,800)
Total comprehensive income/(loss) for the year		-	-	(2,765)	(35)	-	-	59,761	1,490	58,451
Transactions with owners in their capacity as owners:										
Employee shares exercised	15(b)	-	727	-	-	-	-	-	-	727
Share-based remuneration plans		-	-	-	-	861	-	-	-	861
Share buy-back	15(a)	(50)	-	-	-	-	-	-	-	(50)
Dividends paid	6	-	-	-	-	-	-	-	(1,589)	(1,589)
Dividends applied to equity compensation plan		-	-	-	-	-	(235)	-	-	(235)
Reclassification of settled and expired share-based transactions		-	2,680	-	-	(2,706)	(3,093)	3,119	-	-
		(50)	3,407	-	-	(1,845)	(3,328)	3,119	(1,589)	(286)
Balance at 31 January 2021		1,286,144	(66,231)	(594)	241	2,887	2,694	(690,923)	687	534,905

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 2021

	Note	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		3,855,485	3,983,379
Payments to suppliers and employees		(3,840,515)	(3,767,083)
Interest received		361	741
Interest paid		(7,667)	(11,502)
Income taxes (paid)/refunded		4,810	(2,782)
Net cash inflow/(outflow) from operating activities	30	12,474	202,753
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles		(77,035)	(57,144)
Acquisition of subsidiaries, net of cash acquired		-	(8,921)
Payments to acquire financial assets	18	(6,332)	(7,145)
Proceeds from sale of property, plant and equipment		182,130	4,770
Net cash inflow/(outflow) from investing activities		98,763	(68,440)
Cash flows from financing activities			
Net (repayments of)/proceeds from borrowings	30	(250,000)	(65,580)
Payment of lease liabilities	14	(14,564)	(11,628)
Payments for shares bought back	15(a)	(50)	(50)
Proceeds from employee shares exercised		492	5,277
Dividends paid – Sigma		-	(29,610)
Dividends paid – non-controlling interests	6, 20	(1,589)	(1,103)
Net cash inflow/(outflow) from financing activities		(265,711)	(102,694)
Net increase/(decrease) in cash and cash equivalents			
		(154,474)	31,619
Cash and cash equivalents held at the beginning of the financial period		104,232	72,610
Effects of exchange rate changes on cash and cash equivalents		(9)	3
Net cash and cash equivalents at the end of the financial period¹	30	(50,251)	104,232

1. Includes cash and cash equivalents and bank overdraft as reported in the consolidated balance sheet.

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 2021

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 22 March 2021.

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 21 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 an 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

There were no changes in accounting policy during the year ended 31 January 2021, nor did the introduction of new accounting standards lead to any material change in measurement or disclosure in these financial statements.

Refer Note 31 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 | 5. Earnings Per Share |
| 2. Sales and Other Revenue | 6. Dividends |
| 3. Expenses | 7. Subsequent Events |
| 4. Taxation | |

1. Segment Information

Description of Segments

Management has determined the operating segments based on the reports reviewed and used by the Group's chief operating decision makers (CODM) to make strategic and operating decisions. The CODM have been identified as the Chief Executive Officer and Managing Director (CEO) and Chief Financial Officer (CFO) as disclosed in the Remuneration Report on pages 25 to 46. For the year ended 31 January 2021, it was concluded that the Group continues to operate only in the Healthcare segment.

The aggregation criteria under AASB 8 *Operating Segments* has been applied to include the results of the operations of Sigma, Central Healthcare, NostraData, Medication Packaging Systems Australia (MPS) and Medical Industries Australia (MIA) within the Healthcare segment. Sigma, MIA, NostraData and MPS 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 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 as the ongoing capital expenditure program will result in an increase in depreciation and amortisation expense in the medium term.

Underlying EBITDA reconciles to profit/(loss) before tax for the Group as follows:

	2021 \$'000	2020 \$'000
Profit/(loss) before income tax	51,747	(15,760)
Add: Restructuring, transformation and dual operating costs before tax	14,716	39,662
Add: Litigation and due diligence (benefits)/costs before tax	3,687	(4,261)
Less: (Gain)/loss on sale of assets before tax	(29,444)	-
Less: Non-controlling interests before interest and tax	(2,096)	(1,372)
Add: Net finance costs	11,463	12,702
Add: Depreciation and amortisation	30,988	27,258
Underlying EBITDA attributable to owners of the Company	81,061	58,229

Geographical Segments

The Group operates predominantly within Australia.

Information on Major Customers

One customer group contributed revenues which forms 22% of the Group revenues (2020: 27%). This customer has a service contract which is in place until June 2024. Sales revenue for the period to 31 January 2021 was \$758.7 million (2020: \$876.4 million).

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

2. Sales and Other Revenue

	2021 \$'000	2020 \$'000
Sales revenue	3,400,379	3,244,264
Other revenue		
Commissions and fees	49,866	44,452
Membership revenue	16,761	14,486
Marketing services and promotional revenue	34,453	34,810
Sundry revenue	7,958	5,501
Profit/(loss) on sale of property, plant and equipment	29,369	(1,143)
Total other revenue	138,407	98,106

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. Consideration recognised is net of settlement credits and a provision for returns.	Delivery of good to customer	Point in time
Community service obligation (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 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	2021 \$'000	2020 \$'000
Profit before tax includes the following specific expenses:			
Employee benefits expense		152,556	158,872
Defined contribution plans		8,761	8,815
Employee share-based payments expense	29	860	1,691
Total employee benefits expense		162,177	169,378
Amortisation – brand names	12	495	489
Amortisation – software	12	5,335	4,779
Depreciation – buildings	11	1,780	2,363
Depreciation – plant and equipment	11	12,420	10,014
Depreciation – right-of-use assets	14	10,958	9,613
Total depreciation and amortisation		30,988	27,258
Write down of inventories to net realisable value		4,300	5,473
Net impairment loss on trade debtors		6,113	431

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 29 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 on inventories.

Impairment of Trade Debtors

Included in sales and marketing expenses in the consolidated statement of comprehensive income. Refer to Note 8 for details of trade and other receivables.

4. Taxation

	2021 \$'000	2020 \$'000
(a) Income Tax Expense		
Current tax	10,458	(3,273)
Deferred tax	(18,581)	(681)
Adjustments for current income tax of prior periods	(1,381)	(339)
Total income tax benefit	(9,504)	(4,293)
(b) Numerical reconciliation of income tax expense/(benefit) to prima facie tax		
Profit/(loss) before income tax	51,747	(15,760)
Tax at the Australian company tax rate of 30% (2020: 30%)	15,524	(4,728)
Tax effect of differential corporate tax rates	(6)	-
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>		
Recoupment of capital losses not previously recorded	(22,947)	-
Other items	(1,447)	214
Amounts under/(over) provided in prior periods	(628)	221
Total income tax benefit	(9,504)	(4,293)
(c) Amounts Recognised Directly in Equity		
Net change in fair value of financial asset	(1,185)	918
Exchange differences on translation of foreign operations	(15)	2
Total amounts recognised directly in equity	(1,200)	920

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

4. Taxation continued

	2021 \$'000	2020 \$'000
(d) Deferred Tax		
Trade and other receivables	6,499	5,123
Inventories	2,976	2,645
Trade and other payables and accruals	5,219	4,755
Provisions for employee benefits	6,530	5,588
Intangible assets	(255)	(316)
Property, plant and equipment	190	(399)
Tax losses	-	5,993
Right-of-use assets and lease liabilities	16,257	1,970
Other	2,926	(363)
Net deferred tax assets	40,342	24,996
Deferred tax assets	74,630	42,358
Deferred tax liabilities	(34,288)	(17,362)
Net deferred tax assets	40,342	24,996

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.

Unrecognised Deferred Tax Losses

Deferred tax assets have not been recognised in respect of capital losses of \$194,070,633 tax effected (2020: \$217,054,772) 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 historic sale of the Group's pharmaceutical division.

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 21 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.

5. Earnings Per Share

	2021	2020
(a) Basic and Diluted Earnings/(Loss) Per Share		
Basic (cents per share)	6.1	(1.3)
Diluted (cents per share)	5.9	(1.2)
(b) Reconciliation of Earnings Used in Calculating Basic and Diluted Earnings/(Loss) Per Share		
Profit/(Loss) attributable to owners of the Company (\$'000's)	59,761	(12,330)
(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)	986,437	974,769
<i>Adjustments for calculation of diluted earnings per share:</i>		
Performance rights/options (No. '000's)	24,478	16,385
Effect of shares held under Sigma Employee Share Plan (No. '000's)	6,834	4,622
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share (No. '000's)	1,017,749	995,776

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 29 and in the Remuneration Report.

6. Dividends

	2021		2020	
	Cents per share	\$'000	Cents per share	\$'000
Recognised amounts				
Final dividend – prior year	-	-	2.0	21,189
Interim dividend – current year	-	-	1.0	10,594
Dividends recognised by the parent entity				31,783
Less: dividends paid on the shares held by Sigma Employee Share Plan		-		(358)
Less: dividends paid on the shares under the Sigma Employee Share Plan		-		(1,815)
Dividends recognised by non-controlling interests		1,589		1,103
Dividends paid by the Group		1,589		30,713

All dividends declared and subsequently paid by the Company have been 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.

	2021 \$'000	2020 \$'000
Dividend franking account		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2020: 30%)	6,967	2,487

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 payment of the amount of the current income tax payable.

7. Subsequent Events

Subsequent to 31 January 2021, the following events and transactions have occurred:

Dividend

Since the end of the year, the Directors have resolved to pay a final dividend of 1.0 cents per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 January 2021. The ex-dividend date is 6 April 2021, the record date is 7 April 2021 and it is expected to be paid on 21 April 2021. The total amount payable is \$10.6 million.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 January 2021 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

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	12. Goodwill and Other Intangible Assets
9. Inventories	13. Provisions and Contingencies
10. Trade and Other Payables	14. Right-of-Use Assets and Lease Liabilities
11. Property, Plant and Equipment	

8. Trade and Other Receivables

	2021 \$'000	2020 \$'000
Current		
Trade receivables	329,145	294,706
Provision for expected credit losses	(19,262)	(16,995)
Other receivables	17,421	18,335
Total current receivables	327,304	296,046
Non-current		
Trade receivables	643	586
Other loans receivable	787	1,597
Total non-current receivables	1,430	2,183
Movements in the provision for impairment of trade receivables:		
Carrying value at the beginning of the year	16,995	17,962
Provision raised during the year	6,115	928
Receivables written off during the year as uncollectible	(3,848)	(1,895)
Carrying value at the end of the year	19,262	16,995

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 measure 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 term 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.

For information on the Group's credit risk management refer to Note 18.

	Not due \$'000	0-30 days \$'000	31-60 days \$'000	60+ days \$'000	Total \$'000
2021					
Trade receivables	306,593	12,889	1,586	8,720	329,788
Provision for expected credit losses	10,974	2,158	450	5,681	19,262
2020					
Trade receivables	261,186	14,110	2,610	17,386	295,292
Provision for expected credit losses	6,710	1,886	559	7,840	16,995

9. Inventories

	2021 \$'000	2020 \$'000
At Cost		
Finished goods	359,058	324,309
Provision for obsolescence	(9,920)	(8,816)
Net inventories	349,138	315,493

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

	Note	2021 \$'000	2020 \$'000
Current			
Trade payables		365,469	359,988
Other payables and accruals		60,970	55,743
Total current payables	18	426,439	415,731
Non-current			
Other payables and accruals		-	-
Total non-current payables		-	-

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 18.

11. Property, Plant and Equipment

	Note	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
At 1 February 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
Year ended 31 January 2020				
Opening net book amount		126,432	97,709	224,141
Acquisition of subsidiaries	19	-	556	556
Additions		18,293	36,478	54,771
Transfer to assets held for sale		(4,802)	(179)	(4,981)
Disposals		(3,205)	(2,981)	(6,186)
Depreciation	3	(2,363)	(10,014)	(12,377)
Closing net book amount		134,355	121,569	255,924
At 31 January 2020				
Cost		137,988	180,087	318,075
Accumulated depreciation		(3,633)	(58,518)	(62,151)
Net book amount		134,355	121,569	255,924
Year ended 31 January 2021				
Opening net book amount		134,355	121,569	255,924
Additions		22,298	19,703	42,001
Disposals		(84,184)	(5,913)	(90,097)
Depreciation	3	(1,780)	(12,420)	(14,200)
Closing net book amount		70,689	122,939	193,628
At 31 January 2021				
Cost		73,203	189,107	262,310
Accumulated depreciation		(2,514)	(66,168)	(68,682)
Net book amount		70,689	122,939	193,628

Capital Work in Progress

Included in property, plant and equipment at 31 January 2021 is \$27,437,000 (2020: \$15,740,000) of capital work in progress. The majority of this balance is attributable to construction of plant and equipment for the Truganina distribution centre in Victoria.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

11. Property, Plant and Equipment continued

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
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

At balance date in the prior period, the Group was committed to selling the sites of its dormant Belmont and Newcastle distribution centres, with the assets of both sites classified as held for sale, measured at their carrying amounts. In July 2020, both sites were sold with a profit on sale recognised to the consolidated statement of comprehensive income in "other revenue".

	2021 \$'000	2020 \$'000
Land and buildings	-	4,802
Plant and equipment	-	179
Total assets classified as held for sale	-	4,981

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 \$'000	
At 1 February 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
Year ended 31 January 2020						
Opening net book amount		93,084	12,992	19,438	-	125,514
Acquisition of subsidiary		9,876	-	-	-	9,876
Additions		-	-	5,230	-	5,230
Foreign currency movements		-	15	-	-	15
Amortisation	3	-	(489)	(4,779)	-	(5,268)
Closing net book amount		102,960	12,518	19,889	-	135,367
At 31 January 2020						
Cost		102,960	25,892	39,695	940	169,487
Accumulated amortisation		-	(13,374)	(19,806)	(940)	(34,120)
Net book amount		102,960	12,518	19,889	-	135,367
Year ended 31 January 2021						
Opening net book amount		102,960	12,518	19,889	-	135,367
Additions		-	-	32,169	-	32,169
Foreign currency movements		-	(33)	-	-	(33)
Disposals		-	-	(3,614)	-	(3,614)
Amortisation	3	-	(495)	(5,335)	-	(5,830)
Closing net book amount		102,960	11,990	43,109	-	158,059
At 31 January 2021						
Cost		102,960	25,692	66,762	940	196,354
Accumulated amortisation		-	(13,702)	(23,653)	(940)	(38,295)
Net book amount		102,960	11,990	43,109	-	158,059

Included in intangible assets at year end is \$29,960,000 of capital work in progress (31 January 2020: \$7,795,000), largely attributable to the enterprise resource planning (ERP) system project.

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 3 to 7 years. The estimated useful lives and amortisation method are reviewed annually at the end of the reporting period.

Impairment of Assets

Assets with finite useful lives are subject to amortisation and are reviewed for impairment at each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Allocation of Goodwill to Cash Generating Units

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

	Note	2021 \$'000	2020 \$'000
Goodwill allocation to cash generating units			
Sigma		77,519	77,519
NostraData		6,157	6,157
Medical Packaging Systems (MPS)		10,759	10,759
Medical Industries Australia (MIA)		8,525	8,525
Total goodwill	19	102,960	102,960

Impairment testing of goodwill

MIA and NostraData CGU

The recoverable amount of the 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 the most recent board approved budget and the long-term growth rate used is 2.5% (2020: 2.5%). These cash flows have been discounted using a pre-tax risk adjusted discount rate of 9.8%–9.9% (2020: 10.4%–10.5%).

For these CGUs, management believes that any reasonable possible change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

Sigma CGU and MPS CGU

The Group has tested the Sigma and MPS CGUs for impairment at 31 January 2021 by comparing the recoverable amount to the carrying amount for both CGUs. The recoverable amount was determined for both CGUs by applying the Fair Value Less Costs of Disposal (FVLCD) basis using a discounted cash flow valuation model.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

12. Goodwill and Other Intangible Assets continued

The following describes each key assumption on which management has based its cash flow projections to undertake this impairment testing of the CGUs' goodwill and other non-cash assets.

- **Cash flow forecasts – Sigma CGU:** covering a period of five years – the cash flows across the first 3 years are based on the most recent board approved budget with the remaining two years extrapolated using a growth rate of 2.5%. The cash flows in the budget include the benefits from the Group's Project Pivot transformation program, as well as cost efficiencies from the ongoing investment in the Group's distribution network.
- **Cash flow forecasts – MPS CGU:** covering a period of five years – the cash flows across the first 3 years are based on the most recent board approved budget, with the remaining two years extrapolated using a growth rate of 2.5%. The cash flows in the budget include the forecast of cost efficiencies from modest capital investment and an increase in sales and contribution from volume growth, both from new and existing customers. Costs associated with executing these initiatives have been included as part of the forecast.
- **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 CGUs' 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 11.0% – 11.3% (2020: 11.0% – 11.9%).

For the Sigma CGU, management believes that any reasonable change in the key assumptions would not cause the carrying amount to exceed the recoverable amount.

For the MPS CGU, the recoverable value is 145% of the carrying amount and management have assessed that it is sensitive to reasonable changes to the its cash flow forecast as a key assumption, specifically, if the cost efficiencies and volume growth are not achieved effectively and efficiently. If the cash flows from these initiatives included in the CGU are 18% less than forecast, then the carrying amount of the CGU would equal its recoverable amount.

13. Provisions and Contingencies

Provisions

	2021 \$'000	2020 \$'000
Current		
Employee benefits	15,841	13,327
Lease make good	817	2,502
Other provisions	169	-
Total current provisions	16,827	15,829
Non-current		
Employee benefits	1,239	1,282
Lease make good	6,000	854
Total non-current provisions	7,239	2,136

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, it is recorded at the present value of those cash flows.

Lease Make Good

A provision for lease make good/restoration is recognised in relation to the properties held under 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 twelve 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.

14. Right-of-Use Assets and Lease Liabilities

The Group leases various distribution centres and premises as well as warehouse machinery, motor vehicles and office equipment, typically for fixed periods of 3 to 15 years. The Group's leases may have extension options in order to maximise operational flexibility when managing contracts. These options are exercisable only by the Group and not the respective lessor. The lease agreements are negotiated individually and do not impose any covenants.

Sale and Leaseback Transaction

On 21 August 2020 Sigma completed the sale and leaseback of two of its distribution centres at Kemps Creek (NSW) and Berrinba (QLD) for proceeds totalling \$172 million. As part of the agreement, Sigma entered into a 15-year lease agreement with two five-year options to extend at both sites.

The sale and leaseback transaction has been accounted for in the period in accordance with AASB 16 Leases. The key impacts of the transaction have been the following:

- proceeds received totalling \$172 million;
- derecognition of the carrying value of property plant and equipment across both sites at the completion date of \$89 million;
- the recognition of lease liabilities and right-of-use assets for both leases in accordance with AASB 16. The value of the right-of-use assets include consideration of initial direct costs (selling costs) and the estimated cost to restore the sites at the end of the lease terms;
- an accounting gain on sale of \$30 million (before tax) recorded to profit or loss in accordance with AASB 16;
- the Group utilised carried forward capital tax losses against the capital gain associated with the transaction; and
- the annual lease cost during the full first year of the leases across both sites is \$8 million.

(a) Lease Liabilities

The movement in lease liabilities from 1 February 2020 to the year end 31 January 2021 is presented below:

	Total \$'000
At 31 January 2020	
Current lease liability	7,945
Non-current lease liability	42,052
Lease liability	49,997
Year ended 31 January 2021	
Opening lease liability at 1 February 2020	49,997
Additions	110,295
Disposals	(1,850)
Interest incurred	4,974
Payments on lease liabilities	(14,564)
Closing lease liability	148,852
At 31 January 2021	
Current lease liability	9,034
Non-current lease liability	139,818
Lease liability	148,852

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

14. Right-of-Use Assets and Lease Liabilities continued

(b) Right-of-Use Assets

The recognised right-of-use assets relate to the following assets:

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
At 31 January 2020			
Cost	48,623	4,421	53,044
Accumulated depreciation	(8,488)	(1,125)	(9,613)
Net book amount	40,135	3,296	43,431
Year ended 31 January 2021			
Opening net book amount	40,135	3,296	43,431
Additions	60,944	2,850	63,794
Disposals	(1,606)	-	(1,606)
Depreciation	(9,306)	(1,652)	(10,958)
Closing net book amount	90,167	4,494	94,661
At 31 January 2021			
Cost	105,436	7,271	112,707
Accumulated depreciation	(15,269)	(2,777)	(18,046)
Net book amount	90,167	4,494	94,661

(c) Amounts Recognised in the Consolidated Statement of Comprehensive Income

	Note	2021 \$'000	2020 \$'000
Depreciation expense on right-of-use assets	3	10,958	9,613
Interest expense on lease liabilities		4,974	2,128
Operating expenses on leases		3,231	2,412

Operating expenses on leases are for short-term leases and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease. These leases are not included in right-of-use assets or corresponding lease liabilities in accordance with AASB 16 Leases.

(d) Leases – Recognition and Measurement

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on the definition of a lease in accordance with AASB 16. In line with the standard, a contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a corresponding lease liability at the lease commencement date for all leases with the exception of leases of low value assets (predominantly office equipment) or short-term leases. The Group recognises lease payments associated with low value or short-term leases as an expense on a straight-line basis over the lease term.

Lease Liability

Lease liabilities are initially measured at the present value of all lease payments that are not paid at the commencement of the contract, discounted using the rate implicit in the lease, or if a rate is not implied, the Group's incremental borrowing rate. At year end the Group's weighted average incremental borrowing rate used is 4.55%.

Lease payments included for the purpose of measuring the lease liability include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on a rate or index;
- expected payments under residual value guarantees; and
- payments of penalties for termination of a lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Lease payments are allocated between the lease liability and finance costs. The finance cost is recorded to profit or loss over the lease term (interest expense) to produce a constant periodic rate of interest on the lease liability for each year.

Lease liabilities are remeasured when there is a lease modification, a change in future lease payments (e.g. a change in an index or rate) or a change in lease term, most notably if the Group changes its assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded to profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Right-of-Use Assets

Right-of-use assets are recorded at cost comprising the following amounts:

- the amount of the initial lease liability;
- lease payments made at or prior to the lease commencement, less any lease incentives received
- initial direct costs incurred; and
- estimated costs to dismantle, remove or restore the leased asset.

Right-of-use-assets are subsequently measured at cost less accumulated depreciation and any impairment losses. The assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment as per Note 11.

Right-of-use assets are assessed for impairment in accordance with AASB 136 Impairment of Assets as disclosed in Note 12. The value of right-of-use assets will be reduced by any impairment losses and adjusted for certain remeasurements of the lease liabilities.

Extension Periods (Lease Term)

The Group assesses at lease commencement whether it is reasonably certain to exercise any applicable lease extension options, and when reasonably certain, such a period is included in the lease term for determining the lease liability. In making the determination, management considers all facts and circumstances that create an economic incentive to exercise an extension option.

The assessment is reviewed if a significant event or significant change in circumstances occurs which affects this assessment that is within the control of the Group.

Capital Structure and Financing

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

15. Contributed Equity	17. Borrowings
16. Reserves	18. Financial Risk Management

15. Contributed Equity

	2021 \$'000	2020 \$'000
Issued capital:		
Ordinary shares fully paid	1,286,144	1,286,194
Issued capital held by equity compensation plan:		
Treasury shares	(66,231)	(69,638)
Total contributed capital	1,219,913	1,216,556

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 2019	1,059,441,073	1,286,244
Shares bought on market	(84,657)	(50)
Balance at 31 January 2020	1,059,356,416	1,286,194
Shares bought on market	(80,000)	(50)
Balance at 31 January 2021	1,059,276,416	1,286,144

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

15. Contributed Equity continued

(b) Movements in Treasury Share Capital

	No. of Shares	\$'000
Balance at 1 February 2019	(87,354,671)	(78,450)
Shares bought on market	-	-
Employee shares exercised	12,389,876	7,774
Reclassification of settled and expired share-based transactions	-	1,038
Balance at 31 January 2020	(74,964,795)	(69,638)
Shares bought on market	-	-
Employee shares exercised	2,882,210	727
Reclassification of settled and expired share-based transactions	-	2,680
Balance at 31 January 2021	(72,082,585)	(66,231)

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 buyback was refreshed to provide capacity to buy-back a further 10% of issued ordinary shares.

A total of 80,000 (2020: 84,657) shares were bought back during the year at a total cost of \$50,000 (2020: \$50,000). The average price paid was \$0.63 (2020: \$0.59). Of the 80,000 shares bought back during the year, the Group has cancelled all shares in the current period.

16. Reserves

	2021 \$'000	2020 \$'000
Reserves:		
Fair value reserve	(594)	2,171
Foreign currency translation reserve	241	276
Options/performance rights reserve	2,887	4,732
Employee share reserve	2,694	6,022
Total	5,228	13,201

The Group's reserves are presented in the consolidated statement of changes in equity. The nature and purpose of each reserve is presented below.

Fair Value Reserve

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

Foreign Currency Translation Reserve

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

Option/Performance Rights Reserve

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

Employee Share Reserve

This reserve is used to recognise dividends paid by the Company that were eliminated on consolidation on unvested shares held by Sigma Employee Share Plan referred to in Note 29. The reserve will reverse against share capital held by the equity compensation plan when the shares vest.

17. Borrowings

	2021 \$'000	2020 \$'000
Current		
Secured bank overdraft	66,379	-
Secured cash advance facilities	-	135,000
Other secured loans	-	22
Total current borrowings	66,379	135,022
Non-current		
Secured cash advance facilities	-	115,000
Other secured loans	-	48
Unsecured loans	-	140
Total non-current borrowings	-	115,188

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 twelve months from balance date and intends to do so.

Credit Facilities

The Group maintains the following credit facilities:

	2021		2020	
	Total facility \$'000	Unused \$'000	Total facility \$'000	Unused \$'000
Credit standby facilities				
Secured bank overdraft facility	135,000	68,621	135,000	135,000
Secured cash advance facilities	115,000	115,000	250,000	-
Corporate credit card	3,096	3,042	3,441	3,216

Westpac debt facility (Receivables Purchase Facility)

In December 2020, the existing debt facility with Westpac Banking Corporation (Westpac) was extended for a further three-year term maturing on 20 November 2023. The debt facility at 31 January 2021 includes:

- **Tranche A** – an overdraft facility of \$135 million. This expires 20 November 2023. \$66.4 million was drawn down at balance date and is classified as current borrowings in “Secured bank overdraft”.

- **Tranche B** – a cash advance facility of \$115 million. This expires 20 November 2023. Tranche B is unused at balance date but would be classified as non-current borrowings in “Secured cash advance facilities” if used.

Tranche A and Tranche B are 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 total facility is subject to fixed charge 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.

Debtor Securitisation Programme (Sigma Rewards Facility)

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. The facility was extended in December 2020 and expires 20 November 2023.

Borrowing Costs Capitalised

The amount of borrowing costs capitalised for the year ended 31 January 2021 relating to the borrowings was \$750,833 due to the extension of the Westpac debt facility for a further 3-year term (2020: \$48,000). 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.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

18. 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 seeks to minimise the effects of these risks which includes the use of financial instruments, including derivatives, if deemed appropriate, although use of derivatives is minimal, both in the current period and historically.

The Group Treasury Policy, approved by the Board, governs the management of foreign currency risk, interest rate risk, credit risk and liquidity risk, with mandatory monthly reporting requirements. The use of financial derivatives is also governed by the Treasury Policy which provides written principals on their use. The Group does not enter or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group holds the following financial assets and liabilities at year end:

	2021 \$'000	2020 \$'000
Financial assets		
Cash and cash equivalents	16,128	104,232
Trade and other receivables	328,734	298,229
Other financial assets	15,303	14,221
Total financial assets	360,165	416,682
Financial liabilities		
Trade and other payables	426,439	415,731
Borrowings	66,379	250,210
Other financial liabilities	18	-
Total financial liabilities	492,836	665,941

(a) Market Risk

(i) Foreign Exchange Risk

The Group operates predominantly within Australia with the majority of operations denominated in Australian dollars. The Group does make payments to some suppliers in foreign currencies, predominantly in United States dollars, Euros and New Zealand dollars, which does provide exposure to fluctuations in the value of these financial commitments due to the changes in foreign currency rates.

In accordance with the Treasury Policy, the Group manages the risk of foreign currency rate fluctuations by using forward foreign exchange contracts to fix the exchange rates when committed cashflows in foreign currencies are above an approved criteria. In practice, the use of these instruments and having contracts outstanding as at period end dates has not been common, as often payment commitments are not significant, or short term in nature.

At 31 January 2021, the Group has outstanding forward foreign exchange contracts with an Australian dollar notional value of \$1.6 million (2020: nil). All contracts have a value date of less than two months from year end. The unrealised loss on these contracts is \$18,000 at year end (recorded on the consolidated balance sheet as "other financial liabilities"). The quantitative exposure to profit on these outstanding contracts at period end due to fluctuations in foreign exchange rates is not material.

(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.

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 2021 (2020: nil).

The following table summarises the principal amount on outstanding balances at balance date and the weighted average interest rate for these balances throughout the year. The table also summarises the Group's exposure to interest rate risk using a sensitivity analysis performed using a 100-basis point variation. 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 2021				31 January 2020			
	Balance \$'000	Weighted avg. rate	-1% Profit \$'000	+1% Profit \$'000	Balance \$'000	Weighted avg. rate	-1% Profit \$'000	+1% Profit \$'000
Cash and cash equivalents	16,128	0.10%	(161)	161	104,232	0.10%	(1,042)	1,042
Borrowings – secured	(66,379)	2.92%	664	(664)	(250,070)	3.50%	2,501	(2,501)
Total (decrease)/ increase			503	(503)			1,459	(1,459)

(iii) Equity Price Risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, rather than changes in interest rates and/or exchange rates. These price movements may be caused by factors specific to the individual financial asset, its issuer, or factors affecting all similar financial assets traded on the market.

The Group has exposure to equity price risk through investments in shares of listed entities that are traded in an active market and investments in shares in unlisted entities not traded in an active market recorded in "Other financial assets". These investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

The potential impact of movements in price risk on the Group's profit and loss and equity resulting from 10% increase/decrease in value of equity securities at reporting date are shown below. The sensitivity has been performed using a 10% variation as management consider this to be reasonable having regard to historic movements in equities. 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 2021			31 January 2020		
	Balance \$'000	-10% Profit \$'000	+10% Profit \$'000	Balance \$'000	-10% Profit \$'000	+10% Profit \$'000
Other financial assets						
Investments – active market (Level 1)	7,046	(705)	705	10,996	(1,100)	1,100
Investments – non-traded (Level 3)	8,257	(826)	826	3,225	(323)	323

(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. Forecast and actual cash flows are closely monitored in line with Sigma's Treasury Policy and reported to the Board on a monthly basis.

The Group's finance facilities and the amounts unused at balance date are summarised in Note 17. 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 twelve months, with the exception of the Group's debt facility which matures on 20 November 2023 as disclosed in Note 17.

(d) Fair Value of Financial Instruments

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

18. Financial Risk Management continued

Financial Instruments at Fair Value

The financial assets and liabilities recorded at fair value by the Group are investments (other financial assets) and forward foreign exchange contracts.

The investments in listed entities are considered Level 1 financial instruments as the fair value is based on a quoted price in an active market, and investments in unlisted entities are considered Level 3 financial instruments as the fair value is based on unobservable inputs for the asset or liability.

For forward foreign exchange contracts, these are considered level 2 financial instruments with their fair value determined by present value of future cash flows based on the forward exchange rates at the year end date

The investments and value of the forward foreign exchange contracts are classified as fair value through other comprehensive income and fair value is determined in the manner described above.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Balance at 1 February 2020	10,996	-	3,225	14,221
Purchases	-	-	6,332	6,332
Disposals/transfers	-	-	(1,300)	(1,300)
Movements in fair value – gain/(loss)	(3,950)	(18)	-	(3,968)
Balance at 31 January 2021	7,046	(18)	8,257	15,285

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.

19. Business Acquisitions	22. Related Party Disclosures
20. Non-controlling Interest	23. Parent Company Financial Information
21. Details of Controlled Entities	24. Deed of Cross Guarantee

19. Business Acquisitions

Recognition and Measurement

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.

Goodwill Arising on Acquisitions

	Note	MPS-P \$'000	Wholelife \$'000	Other ¹ \$'000	Total \$'000
2020					
Total goodwill at 1 February 2019		-	-	93,084	93,084
Goodwill on current period acquisitions		9,126	750	-	606
Total goodwill at 31 January 2020	12	9,126	750	93,084	102,960
2021					
Goodwill on current period acquisitions		-	-	-	-
Total goodwill at 31 January 2021	12	9,126	750	93,084	102,960

1. "Other" refers to goodwill associated with previous acquisitions.

20. Non-controlling Interest

	2021 \$'000	2020 \$'000
Non-controlling interest		
Balance at beginning of the year	786	1,026
Share of profit for the year	1,490	863
Dividends paid	(1,589)	(1,103)
Total	687	786

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.

21. Details of Controlled Entities

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

	Country of incorporation	Ownership interest	
		2021 %	2020 %
Parent Entity			
Sigma Healthcare Limited ^b	Australia		
Subsidiaries			
Chemist Club Pty Limited ^{a,c}	Australia	100	100
Sigma Company Limited ^{a,c}	Australia	100	100
Allied Master Chemists of Australia Limited ^{a,c}	Australia	100	100
Guardian Pharmacies Australia Pty Ltd ^{a,c}	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 ^{a,c}	Australia	100	100
Sigma (W.A.) Pty Ltd ^{a,c}	Australia	100	100
Central Healthcare Pty Ltd ^{a,c}	Australia	100	100
Central Healthcare Services Pty Ltd ^{a,c}	Australia	100	100
Linton Street Pty Ltd ^{a,c}	Australia	100	100
PriceSave Pty Ltd ^{a,c}	Australia	100	100
PharmaSave Australia Pty Ltd ^{a,c}	Australia	100	100
Discount Drugstores Pty Ltd ^{a,c}	Australia	100	100
NostraData Pty Ltd	Australia	51	51
Member Benefits Australia Pty Ltd ^d	Australia	-	51
MPS Hold Co. Pty Ltd ^{a,c}	Australia	100	100
Medical Industries Australia Hold Co. Pty Ltd ^{a,c}	Australia	100	100
Wholelife Pharmacy Pty Ltd	Australia	51	51

a. These wholly owned companies are subject to a deed of cross guarantee (see Note 24).

b. Sigma Healthcare Limited is the head entity within the tax consolidated group.

c. These wholly owned subsidiaries are members of the tax consolidated group.

d. The Group divested its 51% controlling interest in Member Benefits Australia Pty Ltd on 30 April 2020.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

22. 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 21. 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 28 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 2021 was \$7,510,106 (2020: \$6,262,258). The amounts receivable at balance date from Directors or Director-related entities included within trade debtors in Note 8 was \$1,109,231 (2020: \$1,486,260). 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.

23. Parent company Financial Information

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

	2021 \$'000	2020 \$'000
Balance sheet		
Current assets	147,730	123,884
Non-current assets	363,888	367,921
Total assets	511,618	491,805
Current liabilities	202,613	200,747
Non-current liabilities	-	-
Total liabilities	202,613	200,747
Net assets	309,005	291,058
Equity		
Issued capital	281,511	281,561
Reserves	1,170	2,176
Accumulated profit	26,324	7,321
Total equity	309,005	291,058
Financial performance		
Profit for the year	17,606	28,610
Total comprehensive income for the year	17,606	28,610

(a) Guarantees Entered into by Parent Entity

The parent entity has provided financial guarantees in respect of the total debt facility (Note 17). As at 31 January 2021, the balance drawn from the total facility is \$66,379,000 (2020: \$250,000,000). The facility is secured by way of deed over eligible trade receivables.

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 24). 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 2021 was \$363,511,000 (2020: \$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 (2020: 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 for the Group. The parent entity did not have any other contingent liabilities as at 31 January 2021 (2020: nil).

(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 2021 (2020: nil).

24. Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-Owned Companies) Instrument 2016/785 the wholly owned Australian controlled entities listed in Note 21 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 2021, are set out below:

(a) Statement of Comprehensive Income

	2021 \$'000	2020 \$'000
Sales revenue	3,400,344	3,244,264
Cost of goods sold	(3,161,159)	(3,029,244)
Gross profit	239,185	215,020
Other revenue	128,110	87,020
Warehousing and delivery expenses	(147,182)	(149,835)
Sales and marketing expenses	(61,020)	(62,465)
Administration expenses	(67,427)	(67,967)
Depreciation and amortisation	(30,684)	(26,780)
Profit/(Loss) before financing costs and tax expense (EBIT)	60,982	(5,007)
Finance income	429	716
Finance costs	(11,821)	(13,408)
Net finance costs	(11,392)	(12,692)
Profit/(Loss) before income tax	49,590	(17,699)
Income tax benefit/(expense)	10,172	5,638
Profit/(Loss) for the year	59,762	(12,061)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	(50)	7
Income tax relating to components of other comprehensive income	15	(2)
<i>Items that will not be reclassified to profit or loss:</i>		
Net change in fair value of equity instruments	(3,950)	3,060
Income tax relating to components of other comprehensive income	1,185	(920)
Other comprehensive income/(loss) for the year (net of tax)	(2,800)	2,147
Total comprehensive income/(loss) for the year	56,962	(9,914)
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial period	(750,690)	(705,170)
Impact on adoption of new standards	-	(4,424)
Profit/Loss for the year	59,762	(12,061)
Reclassification of settled and expired share-based transactions	3,119	2,748
Dividends paid	-	(31,783)
Accumulated losses at the end of the financial period	(687,809)	(750,690)

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

24. Deed of Cross Guarantee continued

(b) Balance sheet

	2021 \$'000	2020 \$'000
Current assets		
Cash and cash equivalents	13,465	101,252
Trade and other receivables	325,126	293,668
Inventories	349,092	315,493
Income tax receivable	-	6,073
Prepayments	9,439	9,598
Assets classified as held for sale	-	4,981
Total current assets	697,122	731,065
Non-current assets		
Trade and other receivables	1,430	2,183
Property, plant and equipment	193,458	255,690
Goodwill and other intangible assets	158,601	135,480
Right-of-use assets	94,661	43,431
Other financial assets	15,303	14,221
Net deferred tax assets	39,208	23,433
Total non-current assets	502,661	474,438
Total assets	1,199,783	1,205,503
Current liabilities		
Bank overdraft	66,379	-
Trade and other payables	404,054	391,081
Borrowings	-	135,022
Lease liabilities	9,034	7,945
Provisions	16,534	15,638
Deferred income	302	1,264
Income tax payable	4,412	-
Other financial liabilities	18	-
Total current liabilities	500,733	550,950
Non-current liabilities		
Borrowings	-	114,978
Lease liabilities	139,818	42,052
Provisions	7,239	2,136
Total non-current liabilities	147,057	159,166
Total liabilities	647,790	710,116
Net assets	551,993	495,387
Equity		
Contributed equity	1,234,815	1,233,149
Reserves	4,987	12,928
Accumulated losses	(687,809)	(750,690)
Total equity	551,993	495,387

Other Disclosures

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

25. Expenditure Commitments	29. Employee Share Plans and Share-based Payments
26. Auditors' Remuneration	30. Notes to the Statement of Cash Flows
27. Guarantees	31. New Accounting Standards
28. Key Management Personnel Compensation	

25. Expenditure Commitments

Expenditure commitments existed at the end of year in respect of:

	2021 \$'000	2020 \$'000
Capital expenditure contracted but not provided for in the financial report and payable	55,557	140,519
Total expenditure commitments	55,557	140,519

26. Auditors' Remuneration

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

	2021 \$	2020 \$
Auditors of the parent entity		
– Deloitte Touche Tohmatsu		
Audit and review of financial reports of the entity or any controlled entity	387,200	387,200
Other advisory services	28,000	25,283
Total remuneration	415,200	412,483

The directors are satisfied that the provision of these non-audit services ("Other advisory services") 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.

27. Guarantees

Guarantees existed at the end of year in respect of:

	2021 \$'000	2020 \$'000
Bank guarantees	9,391	5,404
Total guarantees	9,391	5,404

28. Key Management Personnel Compensation

The compensation paid or payable to key management personnel of the Group is set out below:

	2021 \$	2020 \$
Short-term employee benefits	5,694,239	4,230,532
Post-employment benefits	148,022	143,466
Long-term benefits	39,352	30,819
Termination payments	-	266,009
Share-based payments	663,295	1,394,597
Total	6,544,908	6,065,423

Key management personnel ("KMP") and remuneration disclosures are provided in the Remuneration Report on pages 25 to 46.

Disclosures relating to related party transactions with Directors or key management personnel are set out in Note 22.

29. 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:

	2021 \$'000	2020 \$'000
Share-based payment expense:		
Shares (loan funded) issued under the employee share plan and executive long-term incentive plan	426	(379)
Shares issued under the short-term employee benefits	-	430
Rights issued under the executive long-term incentive plan	224	342
Rights issued under the short-term incentive plan	210	1,298
Total	860	1,691

The Group has an employee share plan and share-based remuneration schemes for executive and non-executive management (excluding non-executive directors).

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 Group'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 (SESA), a controlled entity. At balance date 17,642,253 shares are on issue (2020: 18,908,045).

Interest free loans from SESA 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, they 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 SESA for later sale on market to repay the remaining balance of the loan.

Share-based Remuneration Schemes

The Group has the following share-based remuneration schemes:

Executive Loan Funded Share Plan (Long-term Incentive Plan):

The Group has 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. For the year ended 31 January 2020 (grant date: 1 February 2019) the Group used a rights issue (see below) for the executive long-term incentive (LTI) plan as opposed to issuing loan funded shares. For the current year (grant date: 1 February 2020), the Group has reverted to using loan funded shares for the executive long-term incentive plan.

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

29. Employee Share Plans and Share-based Payments continued

Executive Long-Term Incentive Plan – Rights Issue (Zero Exercise Price):

As noted above, for the year ending 31 January 2020 (grant date: 1 February 2019) the Company implemented a rights issue for the executive long-term incentive plan. Participants were issued rights with a three-year performance period subject to service and forfeiture conditions. For the current year (grant date: 1 February 2020), the Group has reverted to using loan funded shares for the executive long-term incentive plan.

Executive Short-Term Incentive Plan (Pivot Business Transformation Award – One Off Award) – Rights Issue (Zero Exercise Price):

During the year ending 31 January 2020 (grant date: 1 February 2019) the Company implemented a rights issue as part of an executive short-term incentive plan designed to drive successful business transformation outcomes covering the two-year period to 31 January 2021.

In accordance with the provisions of these share-based remuneration schemes, executives and non-executive managers within the Group are granted options to purchase ordinary shares at various issue prices (loan funded schemes) or acquire shares at a zero-exercise price (rights issues).

Details of the features of each share-based remuneration scheme are provided on pages 34 to 37 of the Remuneration Report.

Loan Funded Share Plans

Unvested shares held under any loan funded share plans are owned by the Group until they vest. Unvested shares are held at cost and are eliminated on consolidation within equity.

Dividends paid by Sigma Healthcare Limited on shares held under loan funded share plans not issued to employees are eliminated in full on consolidation. Any Dividends applied to repay loan balances are recorded in a separate reserve account as they represent part of the exercise price “paid” by the employee. Dividends of forfeited shares are subsequently transferred back to retained earnings/accumulated losses.

Outstanding Share Options and Rights

The tables below reconcile the outstanding share options granted under the Group’s share-based remuneration schemes at the beginning and end of the financial year.

Executive Loan Funded Share Plan (Long-Term Incentive (LTI) Plan)

	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year
2021					
Number of outstanding loan funded shares	38,087,960	22,773,509	-	(22,896,752)	37,964,717
Weighted average exercise price	\$0.94	\$0.60	\$0.00	\$0.96	\$0.72
2020					
Number of outstanding loan funded shares	60,182,838	-	(10,863,849)	(11,231,029)	38,087,960
Weighted average exercise price	\$0.88	-	\$0.61	\$0.93	\$0.94

Executive Long-Term Incentive (LTI) Plan – Rights Issue (Zero Exercise Price)

	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year
2021					
Number of outstanding performance rights	3,347,515	-	-	(279,329)	3,068,186
Total	3,347,515	-	-	(279,329)	3,068,186
2020					
Number of outstanding performance rights	-	4,249,344	-	(901,829)	3,347,515
Total	-	4,249,344	-	(901,829)	3,347,515

Executive Short-Term Incentive (STI) Plan – Rights Issue (Zero Exercise Price)

	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year
2021					
Number of outstanding performance rights – Tranche 1	1,766,750	-	(1,242,115)	-	524,635
Number of outstanding performance rights – Tranche 2	1,766,742	-	-	(436,612)	1,330,130
Total	3,533,492	-	(1,242,115)	(436,612)	1,854,765
2020					
Number of outstanding performance rights – Tranche 1	-	2,182,461	-	(415,711)	1,766,750
Number of outstanding performance rights – Tranche 2	-	2,182,451	-	(415,709)	1,766,742
Total	-	4,364,912	-	(831,420)	3,533,492

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 considers the terms and components on the option and market-based performance hurdles. It does not consider non-market-based performance hurdles.

The fair value and inputs into the valuation for share options granted during the year and unexercised are set out below:

	Executive LTI plan – rights issue ROIC tranche	Executive LTI plan – rights issue TSR tranche
Grant date	1 February 2020	1 February 2020
Fair value	\$0.16	\$0.11
Inputs into the model:		
Grant date share price	\$0.60	\$0.60
Exercise price	\$0.60	\$0.60
Expected volatility	30%	30%
Vesting life	3 Years	3 Years
Option life	5 Years	5 Years
Expected dividend yield	5.0%	5.0%
Risk free interest rate	0.71%	0.71%

30. 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:

	Note	2021 \$'000	2020 \$'000
Cash and cash equivalents:			
Cash and bank balances		16,128	104,232
Secured bank overdraft facility	17	(66,379)	-
Total		(50,251)	104,232

Notes to the Consolidated Financial Statements continued

For the year ended 31 January 2021

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

	2021 \$'000	2020 \$'000
Profit/(loss) for the year	61,251	(11,467)
Depreciation expense	25,153	21,990
Amortisation expense	5,829	5,268
Interest expense on leases	4,974	2,128
Share-based payments expense	860	1,691
Impairment of financial assets	1,300	500
(Profit)/loss on sale of property, plant and equipment	(29,263)	1,143
Other	(185)	-
<i>Change in assets and liabilities:</i>		
Change in inventories	(33,645)	27,779
Change in net taxes receivable	(4,701)	(7,075)
Change in prepayments	65	(1,782)
Change in trade and other receivables	(30,925)	285,745
Change in trade payables	5,140	(133,184)
Change in provisions	3,135	(4,642)
Change in other payables and deferred income	3,486	14,659
Net cash flows from operating activities	12,474	202,753

Reconciliation of Liabilities Arising from Financing Activities

	Secured loans \$'000	Unsecured loans \$'000	Total \$'000
2020			
Total liability 1 February 2019	315,040	750	315,790
Cash flow	(64,970)	(610)	(65,580)
Non-cash flow	-	-	-
Total liability 31 January 2020	250,070	140	250,210
2021			
Cash flow	(250,000)	-	(250,000)
Non-cash flow	(70)	(140)	(210)
Total liability 31 January 2021	-	-	-

The secured bank overdraft facility is not included in financing activities as it is considered with cash and cash equivalents.

31. New Accounting Standards

New Accounting Standards and Interpretations

In the current period, the Group has adopted all 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 annual reporting periods commencing on or after 1 February 2020, including the following:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

None of these standards have had a material impact on the Group in the current period and are not expected to have a material impact in future reporting periods or on foreseeable future transactions.

Standards on Issue But Not Yet Effective

The following new accounting standards and interpretations have been published that are not mandatory for the 31 January 2021 year end reporting period and have not yet been applied by the Group within this financial report:

- AASB 10 *Consolidated Financial Statements and AASB 128 Investments in Associates (amendments)* – Effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
- AASB 17 *Insurance Contracts* – Effective for annual periods beginning on or after 1 January 2023.
- AASB 2020-1 and AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current* – Effective for annual periods beginning on or after 1 January 2022.
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments* – Effective for annual periods beginning on or after 1 January 2022.
- AASB 2020-4 *Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions* – Effective for annual periods beginning on or after 1 June 2020.
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2* – Effective for annual period beginning on or after 1 June 2021.

The Group does not believe these new accounting standards, amendments and interpretations will have a material impact on the financial statements in future periods.

Directors' declaration

For the year ended 31 January 2021

In the opinion of the Directors of Sigma Healthcare Limited:

- (a) the financial statements and notes, set out on pages 48 to 78, 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 2021 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 21 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 2021 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 Raymond M Gunston
Chairman



Mr Mark Hooper
CEO and Managing Director

Melbourne
22 March 2021

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 statement of financial position as at 31 January 2021, the consolidated income statement, 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 2021 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 the directors of the Company, would be in the same terms if given to the 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</p> <p><i>Refer to note 12</i></p> <p>As at 31 January 2021, the Group had goodwill totalling \$103.0 million. The recovery of goodwill is subject to 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 Medical Packaging Services ("MPS") 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 MPS CGUs are more sensitive to these changes due to lower headroom than the other CGUs and where our risk and key audit matter is pinpointed.</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 relevant controls within management's impairment assessment process, including the preparation, review and board approval of cash flow forecasts supporting this process; • Testing relevant controls within management's credit approval process; and • In conjunction with our valuation specialists we evaluated the key assumptions used in management's recoverable amount analysis for the Sigma and MPS 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 market information; ○ 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 in the notes to the financial statements.</p>

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Valuation of trade receivables</p> <p>Refer to note 8</p> <p>The Group has total trade receivables of \$329.8 million as at 31 January 2021, 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 \$19.3 million as at 31 January 2021.</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; • Testing relevant controls within management's credit approval process; and • 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 assessing historical payments, outstanding balances, receipt of payment subsequent to year end and key assumptions regarding debtors financial position; and ○ Assessing the adequacy of the provision against the identified population of overdue and 'at risk' trade debtors. <p>We also assessed the appropriateness of the disclosures of the quantitative and qualitative considerations in relation to credit risk in the financial statements.</p>

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.
- 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's audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report continued

Deloitte.

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, actions taken to eliminate threats or safeguards applied.

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 25 to 46 of the Directors' Report for the year ended 31 January 2021.

In our opinion, the Remuneration Report of Sigma Healthcare Limited, for the year ended 31 January 2021, 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, 22 March 2021

Shareholder Information

Equity Security Holders

As at 16 March 2021, the Company has 1,059,356,416 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 16 March 2021 (as named on the register of shareholders):

Name	Ordinary shares	
	Number held	% of issued shares
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	216,547,436	20.44%
CITICORP NOMINEES PTY LIMITED	185,269,988	17.49%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	139,637,946	13.18%
PACIFIC CUSTODIANS PTY LIMITED	56,376,468	5.32%
NATIONAL NOMINEES LIMITED	54,469,536	5.14%
BNP PARIBAS NOMINEES PTY LTD	27,903,771	2.63%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	24,763,999	2.34%
SIGMA EMPLOYEE SHARE ADMIN P/L	16,555,615	1.56%
MR MARK ROBERT HOOPER	11,860,636	1.12%
BNP PARIBAS NOMS PTY LTD	10,504,240	0.99%
JEFFREY SELLS	3,602,441	0.34%
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	2,777,953	0.26%
ETIAM PTY LIMITED	2,415,594	0.23%
NETWEALTH INVESTMENTS LIMITED	2,090,029	0.20%
NABRU NOMINEES PTY LIMITED	1,500,000	0.14%
MR PETER URBAN	1,438,262	0.14%
BRIAN CHARLES CANNON & ROSALIE CANNON	1,330,500	0.13%
NEWECONOMY COM AU NOMINEES PTY LIMITED	1,215,726	0.11%
MRS PAMELA ANN ROYLE	1,126,606	0.11%
LEITHNER & COMPANY PTY LTD	1,075,000	0.10%
Total top 20 holders	762,461,746	71.98%
Total other holders	296,814,670	28.02%
Grand total	1,059,276,416	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 16 March 2021:

Name	Noted date of change	Number of equity securities	Voting power
Allan Gray Australia Pty Ltd	9 March 2021	96,712,916	9.13%
Paradice Investment Management Pty Ltd	16 December 2019	96,323,928	9.09%
Mitsubishi UFJ Financial Group, Inc.	24 February 2021	87,803,927	8.29%

Holdings Distribution

Range	Number of holders
100,001 and Over	472
10,001 to 100,000	4,913
5,001 to 10,000	2,999
1,001 to 5,000	6,790
1 to 1,000	1,799
Total	16,973
Unmarketable Parcels	759

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 have been issued to employees as part of long-term and short-term incentive plans for the financial year ended 31 January 2021.

- The maximum number of ordinary shares which may be issued if the performance conditions are achieved is 4,922,951.
- Participants do not have voting rights.

Five Year Summary

	2021 \$'m	2020 \$'m	2019 \$'m	2018 \$'m	2017 \$'m
Operating results					
Sales revenue	3,400.4	3,244.3	3,976.8	4,094.4	4,366.2
EBITDA	94.2	24.2	76.5	92.8	89.2
EBIT	63.2	(3.1)	63.0	83.7	81.0
Profit/(loss) before tax	51.8	(15.8)	52.0	78.7	76.7
Profit/(loss) after tax	61.3	(11.5)	37.0	55.4	53.5
Financial position					
Working capital	294.9	233.8	406.2	378.8	387.1
Fixed assets (including intangibles) ⁵	446.3	434.7	349.6	253.9	180.6
Other assets/(liabilities)	88.6	(46.1)	1.7	(3.8)	(20.4)
Capital employed ¹	585.2	622.4	757.5	628.9	547.3
Net debt/(net cash)	50.3	146.0	243.2	113.6	8.7
Net assets	534.9	476.4	514.3	515.3	538.6
Shareholder related					
Dividend					
– ordinary per share	-	3.0c	4.0c	5.5c	5.5c
– total dividends	-	31.8	42.4	58.8	59.2
Earnings/(loss) per share	6.1c	(1.3c)	3.8c	5.6c	5.4c
Dividend payout ratio	-	277%	116%	106%	111%
Net tangible asset backing per share	36c	32c	37c	37c	41c
Market capitalisation (balance date) (\$'m)	699	636	572	949	1,302
Ratio and returns					
EBIT margin ²	1.9%	-0.1%	1.5%	2.0%	1.9%
Gearing ³	8.6%	23.5%	32.1%	18.1%	1.6%
Interest cover ⁴	7.4x	1.9x	6.9x	18.5x	20.8x

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

2. EBIT/sales revenue.

3. Net debt/capital employed (year-end).

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

5. Includes right-of-use assets.

Contacts

Company Details

Sigma Healthcare Limited

Registered Office
3 Myer Place
Rowville VIC 3178 Australia
www.sigmahealthcare.com.au

Corporate Head Office

3 Myer Place
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Tel +61 (0)3 9215 9215
Fax +61 (0)3 9215 9188

Directors and Senior Management

Refer to pages 22 to 25
of the 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

Link Market Services
Locked Bag A14
Sydney South
NSW 1235 Australia
Tel (within Australia) 1300 554 474
Tel (international) +61 (0)2 8280 7111
Email registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Sigma Healthcare Sites

3 Myer Place
Rowville VIC 3178 Australia
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1800 500 760
Fax +61 (0)3 9215 9188

2 Imperata Close
Kemps Creek NSW 2178
Tel +61 (0) 2 9835 7861

12 William Dean Street
Eastern Creek NSW 2766
Australia
Tel 1300 757 001

53–101 Wayne Goss Drive
Berrinba QLD 4117 Australia
Tel +61 (0)7 3801 6961

35 Burma Road
Pooraka SA 5095
Tel +61 (0)8 8219 2612

16–20 Bell Street
Townsville QLD 4810 Australia
Tel +61 (0)7 4771 2022
Fax +61 (0)7 4772 3454

3/2205 Coonawarra Road
Winnellie NT 0820 Australia
Tel +61 (0)8 8984 4025
Fax +61 (0)8 8984 3875

10 Craft Street
Canning Vale WA 6155 Australia
Tel 1800 500 760

McKay Avenue Grove Estate
Glenorchy TAS 7010 Australia
Tel +61 (0)3 6272 3211
Fax +61 (0)3 6272 3232

580 Dohertys Road
Truganina VIC 3029 Australia
Tel 1800 500 760

Discount Pharmacy Retail Group

56–58 Jephson Street
Toowong QLD 4066 Australia
Tel +61 (0)7 3720 5500

MPS Sites

340 Darebin Road
Alphington VIC 3078
Tel 1800 003 938 (within Australia)

8 Clunies Ross Court
Eight Mile Plains QLD 4113 Australia
Tel 1800 003 938 (within Australia)

29 Connell Road
Oakleigh VIC 3166 Australia
Tel 1800 003 938 (within Australia)

11 Spireton Place
Pendle Hill NSW 2145 Australia
Tel 1800 003 938 (within Australia)

Medical Industries Australia Sites

2 Imperata Close
Kemps Creek NSW 2178
Tel +61 (0)2 9490 6200

Recent Dividends

Dividend	Date Paid	Cents Per Share
2021 Final	21 April 2021	1.00
2020 Interim	-	._#
2020 Final	-	._#
2020 Interim	4 October 2019	1.00
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

Due to insufficient franking credits, no 2020 final or 2021 interim dividends were paid.

Shareholder Calendar*

2020/21 AGM	12 May 2021
Half-Year results	21 September 2021
Ex-dividend date	26 September 2021
Record date	27 September 2021
Interim dividend payment	8 October 2021
Full-Year results	24 March 2022
Ex-dividend date	4 April 2022
Record date	5 April 2022
Final dividend payment	22 April 2022
2021/22 AGM	12 May 2022

* Dates may be subject to change.

For investor, media or government
enquiries in relation to Sigma

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Corporate Affairs Manager

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