

Appendix 4E
Preliminary final report
Lodged with the Australian Securities Exchange (ASX) under ASX Listing Rule 4.3A.

Sigma Healthcare Limited
ABN 15 088 417 403

Reporting period
Year ended 31 January 2024

Comparative period
Year ended 31 January 2023

Results for announcement to the market

Group results	31 January 2024 \$000	31 January 2023 \$000	Change %
Sales revenue from ordinary activities	3,322,058	3,660,240	(9.2%)
Net profit after tax (NPAT)	5,311	3,027	75.5%
NPAT attributable to owners of the Company	4,509	1,811	149.0%

Net tangible asset per security

	31 January 2024	31 January 2023	Change %
Net tangible asset backing per ordinary share (cents per share) ¹	46.7 cents	33.9 cents	37.6%

¹ Net tangible asset represents net assets excluding goodwill and other intangible assets.

Dividend information

Since the end of the year, the Directors have resolved to pay a 50% partially franked final dividend of 0.5 cents per share. Accordingly, this dividend is not provided for in the balance sheet at 31 January 2024. The ex-dividend date is 28 March 2024, the record date is 2 April 2024 and it is expected to be payable on 17 April 2024.

Dividend	Amount per security	Franking percentage
Final dividend – year ended 31 January 2024	0.5 cent	50%
Interim dividend – year ended 31 January 2024	0.5 cent	100%
Final dividend – year ended 31 January 2023	0.5 cent	100%

Gain or loss of control over entities

No control over any material entities was gained or lost during the year ended 31 January 2024.

Details of associates and joint venture entities

Not applicable.

Dividend reinvestment plans

The company does not currently have a dividend reinvestment plan in operation.

Other information

This report is based on the consolidated financial statements which have been audited by Deloitte Touche Tohmatsu. The financial report is not subject to a modified opinion, emphasis of matter or other matter paragraph.

Additional information supporting the Appendix 4E disclosure requirements, including a brief explanation of the figures above, can be found in the Directors' Report, notes to the consolidated financial statements in this report, the Sigma 2023/24 Full Year Results Presentation and the Sigma 2023/24 Full Year Media/ASX Release lodged with the ASX.

Shareholder information

Sigma will host a presentation to analysts and media on Thursday 21 March 2024 at 10:00am with all presentation material posted to Sigma's website (www.sigmahealthcare.com.au)

Further information can be obtained from Gary Woodford (Head of Corporate Affairs):

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Full Year Financial Report

For the year ended 31 January 2024

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Directors' Report

For the year ended 31 January 2024

The Directors present their report on Sigma Healthcare Limited (the Company) and its controlled entities (the Group) for the year ended 31 January 2024.

Directors

The names of the Directors and Company Secretary of the Company as at 31 January 2024 (unless otherwise stated) were:

Name	Particulars
Mr Michael Sammells <i>BBus (Acc), FCPA, GAICD.</i> Chairman, Non-Executive Director, Member of the Nomination & Remuneration Committee	Appointed a Director of Sigma Healthcare Limited in February 2020 and Chairman of Sigma Healthcare Ltd in August 2022. 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 current Director of GMHBA Limited and is a former Chief Financial Officer of Healthscope Limited and Medibank Private.
Mr Vikesh Ramsunder <i>B.Com Logistics, (MBL) Corporate Strategy</i> CEO and Managing Director	Vikesh Ramsunder commenced as the Managing Director and CEO of Sigma Healthcare Limited on 1 February 2022. From January 2019 to December 2021 Vikesh was Group CEO of the Clicks Group in South Africa, the culmination of a 28-year career with the Clicks Group which included 18 years as part of the executive team. Before becoming Clicks CEO Vikesh held a number of roles within the Group, including Chief Operating Officer from 2015 and Managing Director of the pharmaceutical wholesaler business, United Pharmaceutical Distributors.
Ms Kathryn (Kate) D Spargo <i>LLB (Honours), BA, FAICD.</i> Non-Executive Director, Member of the Risk Management and Audit Committee (Interim Committee Chair October 2022 – 31 March 2023, Chairman of the Nomination & Remuneration Committee from 7 December 2023 onwards)	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 an advisor, having worked in private practice and government, and as a director of listed and unlisted companies. Ms Spargo is currently a Non-Executive Director at the following listed entities: Sonic Healthcare Limited, Adairs Limited (Interim Chair as at 12 March 2024) and Bapcor Ltd. In addition Ms Spargo is also currently a Non-Executive Director at CIMIC Ltd (now unlisted). Over the last three years, Ms Spargo was a Non-Executive Director at Xenith IP Ltd. In September 2021, Ms Spargo retired from her position as Chairman of Colinvest and at the same time joined the board of the unlisted company Jellis Craig. Ms Spargo is also Director at the Geelong Football Club and Future Fuels Cooperative Research Centre.

Directors' Report

For the year ended 31 January 2024

Name	Particulars
<p>Mr Neville Mitchell <i>B.Com, CA.</i> Non-Executive Director, Chair Risk Management and Audit Committee (appointed a Director 2 February 2023, Chair of RMAC from 1 April 2023 onwards)</p>	<p>Appointed a Director of Sigma Healthcare Limited in February 2023. Mr Mitchell has extensive financial experience coupled with broad experience as an active Non-Executive Director. Mr Mitchell is a current Director and Chair of the Audit Committee of Sonic Healthcare. Mr Mitchell is also a Non-Executive Director and Chair of the Audit and Risk Committee of Fisher and Paykel Healthcare. Previously, Mr Mitchell has held other Director roles including South Eastern Sydney Local Health District, The Board of Taxation, Sirtex Medical and Osprey Medical Inc. Mr Mitchell is a qualified Chartered Accountant with international healthcare and finance experience. Prior to becoming a Non-Executive Director, Mr Mitchell had a career spanning 27 years with Cochlear Limited, 22 of those years as Chief Financial Officer and Company Secretary.</p>
<p>Ms Annette Carey <i>LLB, BA.</i> Non-Executive Director, Member of the Nomination & Remuneration Committee (appointed a Director 1 April 2023)</p>	<p>Appointed a Director of Sigma Healthcare Limited in April 2023. Ms Carey is a current Director of National Intermodal Corporation, a Non-Executive Director of Flinders Port Holdings Pty Ltd, a Non-Executive Director of Kinetic, and an Advisory Board Member of Orizontas. Prior to that, Ms Carey has been a Director of Linfox Armaguard Pty Ltd and Sai Cheng Logistics Inc and was Chair of Australia Post Global. Ms Carey brings a balance of technical expertise as well as legal, strategic, and commercial intellect from over 20 years' experience in supply chain, logistics and cross border ecommerce. Ms Carey has previously held various senior roles within the Linfox Logistics group progressing from General Counsel and Company Secretary to Chief Executive Officer. Ms Carey also held the position of Executive General Manager International with Australia Post. Ms Carey is a member of Chief Executive Women.</p>
<p>Dr Chris Roberts AO <i>B.Eng (Honours), MBA, PhD.</i> Non-Executive Director, Member of the Risk Management and Audit Committee (appointed a Director 6 October 2023)</p>	<p>Dr. Roberts has more than 40 years' experience in the medical device industry, including as the former CEO of Cochlear Limited (ASX:COH) from 2004 to 2015, Executive Vice President of ResMed Inc (NYSE:RMD) from 1992 to 2003 and as a Director until November 2017. He is currently a Non-Executive Director of: HealthCo Healthcare and Wellness REIT (ASX: HCW), HMC Capital Partners Fund 1, Clarity Pharmaceuticals Limited (ASX:CU6), Nutromics Pty Ltd, Atmo Biosciences Limited and the Cochlear Foundation Board. He is also a Governor of the Centenary Institute Cancer Medicine and Cell Biology.</p>
<p>Mr David G Manuel <i>BPharm, MPS, MAICD.</i> Non-Executive Director, Member of the Risk Management and Audit Committee, Member of the Nomination & Remuneration Committee (resigned 17 May 2023)</p>	<p>Appointed a Director of Sigma Healthcare Limited in October 2009 and resigned May 2023. 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, Elements Health Care Pty Ltd and Oqea 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).</p>

Directors' Report

For the year ended 31 January 2024

<p>Ms Christine Bartlett <i>BSc, MAICD.</i> Non-Executive Director, Chairman of the Nomination & Remuneration Committee (resigned 7 December 2023)</p>	<p>Appointed a Director of Sigma Healthcare Limited in March 2016 and resigned December 2023. 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, Australian Clinical Labs Limited and Reliance Worldwide Corporation Ltd.</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>
<p>Kara McGowan <i>LLB (Hons), BCom, BbusEc, ACIS, GAICD</i> General Counsel & Company Secretary</p>	<p>Appointed Sigma Healthcare's General Counsel and Company Secretary in October 2021. Ms McGowan has been a Company Secretary for over 10 years for a broad range of corporate structures and businesses. Prior to joining Sigma, Ms McGowan was General Counsel and Company Secretary at Transdev, an international public transport operator where she was responsible for the provision of strategic legal advice for all operations in Australia and New Zealand. Over the years she has held a variety of legal and commercial roles including Company Solicitor at Kmart and Head of Joint Ventures for Australian Unity Investments. She began her legal career at Clayton Utz as a competition lawyer. Ms McGowan is admitted as a Barrister & Solicitor of the Supreme Court of Victoria, holds a Graduate Diploma of Applied Corporate Governance and is a Graduate and Member of the Australian Institute of Company Directors. Ms. McGowan also holds a Bachelor of Commerce and Bachelor of Business Economics.</p>

Note: former directorships mandatorily disclosed above are those held in the last 3 years for listed entities only. Directors' interest in shares are detailed in Tables 4a and 4b of the Remuneration Report.

Directors' Report

For the year ended 31 January 2024

Principal activities

The principal activities of the Group during the year were the wholesale distribution of pharmaceutical goods and medical consumables to community pharmacies, including the provision of retail support services to our branded network of pharmacy members, dose administration aid services, and the provision of third and fourth party logistics services to pharmaceutical manufacturers and other supplier partners.

No significant changes have occurred in the nature of the principal activities during the financial year.

The Group has its principal place of business at Level 6, 2125 Dandenong Road, Clayton, Victoria 3168, Australia.

Operating and financial review

The operating and financial review, which forms part of this Directors' Report, is presented separately on pages 11 to 14.

Environmental regulations

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

Dividends

Since the end of the year, the Directors have resolved to pay a 50% partially franked final dividend of 0.5 cent per share. Accordingly, this dividend is not provided for in the balance sheet at 31 January 2024. The ex-dividend date is 28 March 2024, the record date is 2 April 2024 and it is expected to be payable on 17 April 2024. The total amount expected to be payable is \$8.2 million.

Rounding of amounts

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

Proceedings on behalf of the Company

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

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

For the year ended 31 January 2024

Non-audit services

Details of the amounts paid to the auditor of the Company, Deloitte Touche Tohmatsu, and its related practices, for audit and other services provided during the year and the comparative period are set out in Note 27.

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.

During the current year, the external auditor did not provide any non-audit services.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 43.

Remuneration Report

Details of the Group's Remuneration Policy in respect of the Directors and Key Management Personnel are included in the Remuneration Report on pages 17 to 42, which forms part of this Directors' Report. Details of the remuneration paid to each Non-Executive Director, the CEO and Managing Director and other Key Management Personnel are also detailed in the Remuneration Report.

Environmental, social and governance

Sigma recognises the importance of environmental, social and governance matters to our shareholders, suppliers, customers and our team members.

Since 2020/21 Sigma has published a Sustainability Report which includes 2030 targets and is informed by an annual materiality assessment. The materiality assessment is a detailed analysis and stakeholder engagement exercise to identify the areas of greatest risk and opportunity for Sigma and where the company can have the greatest positive influence on the environment and society. This assessment also underpins Sigma's Plan to 2030 targets.

The Sustainability Report 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;
- 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 are available in our Sustainability Report, which is available on the Sigma website.

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 M Sammells	242,727	-
Mr V Ramsunder	11,662,028	4,835,167
Mr D Manuel	389,591	-
Ms K Spargo	710,192	-
Ms C Bartlett	426,205	-
Mr N Mitchell	21,621	-
Ms A Carey	13,894	-
Mr C Roberts	4,696	-

Directors' Report

For the year ended 31 January 2024

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, a total of twelve Board meetings, four Risk Management and Audit Committee (RMAC) meetings and four Nomination and Remuneration Committee (N&RC) meetings were held for the Company.

Directors	Board of Directors		Risk Management and Audit Committee		Nomination and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Mr M Sammells ¹	12	12	4	4	1	1
Mr V Ramsunder	12	12	-	-	-	-
Mr D Manuel ²	4	4	1	1	2	2
Ms K Spargo	12	12	4	4	4	4
Ms C Bartlett ³	11	11	-	-	4	4
Mr N Mitchell ⁴	12	12	4	4	-	-
Ms A Carey ⁵	10	9	-	-	2	2
Dr C Roberts ⁶	4	4	1	1	-	-

¹ N&RC Member (December 2023 – current), RMAC Member (January 2023 – December 2023).

² Mr D Manuel retired as a Director and a member of the N&RC and RMAC in May 2023. RMAC and N&RC member from January 2023 to May 2023.

³ Ms C Bartlett retired as a Director and a member of the N&RC in December 2023.

⁴ Mr N Mitchell was appointed as a Director and member of RMAC in February 2023. Mr Mitchell was also appointed Chair of RMAC on 1 April 2023.

⁵ Ms A Carey was appointed as a Director and member of the N&RC in April 2023.

⁶ Dr C Roberts was appointed as a Director and member of RMAC in October 2023.

Key events and changes in the state of affairs

During the financial year ended 31 January 2024 there was no significant change in the state of affairs of the Group.

Subsequent events

Subsequent to 31 January 2024, the following events and transactions have occurred:

Dividend

Since the end of the year, the Directors have resolved to pay a 50% partially franked final dividend of 0.5 cent per share. Accordingly, this dividend is not provided for in the balance sheet at 31 January 2024. The ex-dividend date is 28 March 2024, the record date is 2 April 2024 and it is expected to be payable on 17 April 2024. The total amount expected to be payable is \$8.2 million.

Merger Implementation Agreement (MIA) to merge with CW Group Holdings Limited

On 11 December 2023, the Group announced the signing of a MIA to merge with CW Group Holdings Limited (CWG or Chemist Warehouse Group) to create a leading healthcare wholesaler, distributor and retail pharmacy franchisor, referred to as the "Proposed Merger." The Proposed Merger is subject to a number of conditions including regulatory approval, approval by the directors and shareholders of both companies, and court approval of the scheme in accordance with the Corporations Act 2001 (Cth). The Australian Competition and Consumer Commission ("ACCC") submission was completed and lodged on 16 February 2024. Formal public consultation commenced on 8 March 2024 seeking input from interested parties. There will be a wide consultation process which adds to the complexity of predicting timeframes. At the issue date of this annual report, the Proposed Merger is undergoing ACCC review and therefore has no impact to the existing structure of the Group. The expected completion date is contingent on several conditions, including, but not limited to, the outcome of the ACCC review and regulatory, CWG and Sigma shareholder approval processes.

Directors' Report

For the year ended 31 January 2024

Debt facility

Subsequent to the end of the financial year, Sigma obtained formal credit approval from its existing financier for the upsizing and extension of its Receivables Purchase Agreement debt facility. The Board has approved the upsizing and extension of the key terms including price and tenor, subject to formal execution. The renewal of the debt facility is effective from the later of 1 April 2024 and the date of execution and extends the tenor by a further one year, with expiration in November 2026. Additionally, the extension increases the debt facility from the current \$250 million to \$500 million. We anticipate retaining higher levels of liquidity than our long-term average to support working capital requirements for the new CWG supply contract commencing in July 2024, and to provide capacity to respond to strategic growth opportunities.

Other than the matters discussed above, there has not been any other matters or circumstances that have arisen since 31 January 2024 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent years not otherwise disclosed.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*, dated 20 March 2024.



Mr Michael Sammells
Chairman

Melbourne
20 March 2024



Mr Vikesh Ramsunder
CEO and Managing Director

Operating and financial review

For the year ended 31 January 2024

Operating review

Sigma's FY24 result demonstrates clear progress on our strategy execution and performance improvement objectives. This year has seen a focus on disciplined execution, reflected in our operating performance metrics, stock availability, improved cost management and capital discipline. This discipline helped Sigma achieve like-for-like revenue (+4.3%), and adjusted earnings (+62.7%) growth.

During the year, the Company has:

- Successfully won the Chemist Warehouse Group (CWG) PBS and front of store supply contract for the next 5 years
- Sustained world class operational metrics
- Progressed the simplification of operations and divested non-core assets
- Well progressed the franchise brand consolidation
- Developed a strong pipeline of over 250 products in Private and Exclusive Label
- Attained ISO 9001 accreditation
- Completed a \$400 million capital raise
- Entered into a merger implementation agreement with CWG for a proposed merger

At the start of FY24, we shared that we would execute on our strategy of growing scale and profitable market share in the wholesale business, simplify our business by divesting non-core assets, consolidate our franchise brand network, and diversify our revenue streams through expanded product offerings in health, beauty and wellness categories. It is pleasing to report that we have delivered on all fronts, demonstrating the strength of our business and the Sigma management team, despite increasingly difficult trading conditions and economic headwinds. The Group reported underlying revenue growth of 4.3% to \$3.1 billion and earnings growth (EBIT) of 20.4% to \$23.2 million. Excluding merger transaction costs, EBIT was \$31.4 million.

In June 2023 we announced that Sigma was successful in securing the new 5-year supply contract to service the Chemist Warehouse Group. This was a strategically important win that provides significant volume to better utilise our latent spare capacity and the investments we made in world-class technology and IT systems. Crucially, this achievement enables us to build on our operational leverage, lifting revenue without lifting costs. The awarding of the contract reflects our customer's confidence in our service capability.

Pleasingly, the full year results show clear improvements across the entire business with clearly identified opportunities for further improvement. Logistics has achieved best-in-class performance across our Distribution Centre (DC) network, with operating performance metrics remaining consistently high. Sustained productivity improvements in freight and logistics as well as disciplined cost management have helped to offset high inflationary pressures.

Operational performance in Logistics was consistently high throughout the year. The average warehouse productivity (measured by output / hours) has increased 31% over two years, with record levels of productivity being achieved in the second half of the year. Delivery in Full (DIF) metrics carried the momentum from the previous year, as the business maintained a minimum of 99% across FY24, with Dispatch on Time (DOT) exceeding 98% in every month, and stock availability increasing to 93%.

In FY23 we commenced our brand consolidation and further advancement was made on this initiative in FY24. The last 12 months has delivered meaningful progress in the execution of our franchise brand strategy, which has seen the discontinuation of the Guardian pharmacy brand and an increased focus on the Amcal and Discount Drug Stores (DDS) brands.

With this period of self-disruption behind us, our attention turned to supporting our Amcal and Discount Drug Stores brand members to better service their customers and grow their business. We are now seeing this improvement translate into actual performance, with increased like-for-like sales from franchise brand members up 9.0% and our internal customer service metric exceeding expectations. This was a result of a range of measures implemented and demonstrates the strength of our management team.

In addition to this accomplishment, further improvements are expected over the coming year. Management's efforts in the first half of FY24 were directed towards growing scale and profitable market share and completing the optimisation of inventory levels. The gains we have seen in our supply chain performance over the past 18 months gave us confidence that we could reduce inventory without compromising sales growth and service levels. Sigma remains committed to increasing the number of Amcal pharmacies to 300 franchise brand members and DDS pharmacies to 150 franchise brand members over the medium term.

During the year, we achieved further progress towards simplifying our business through divesting non-core assets. The divestment of the CHS Hospital operations assets in the first half impacted our revenue as Hospital customers transitioned away to alternative suppliers. However, this did not have a material impact on our earnings. Sigma's exit from this very low margin sector released working capital and contributed to our inventory reducing by \$103.7 million, which minimised our obsolescence risk and reduced net debt. Importantly, this disposal allows our Sigma Healthcare Logistics business to focus on third-party logistics operations.

Operating and financial review

For the year ended 31 January 2024

Sigma's third-party logistics business is an important strategic pillar for growth. This growth now sees us providing 3PL services in six States across Australia and is becoming a more important contributor to margin. Our commitment to quality, customer satisfaction and continual improvement in this space was demonstrated with the awarding of an ISO 9001 accreditation for our wholesale operations in 2H24.

Our efforts to diversify our income streams is evidenced through our strong pipeline of Private and Exclusive Label products. During FY24, we built internal capability to execute our private label strategy and improved all aspects of our product sourcing, procurement, pricing and promotion. With over 250 products developed across our key categories, 80% are targeted for launch in 2H25. It remains our view that this will lead to a more customer-focused business that is positioned to generate higher gross margins and deliver a step change in the quality of earnings for Sigma over the medium term with a lift in private label penetration.

During the year, we continued to champion an environment that fosters diversity, equality, and inclusion for all. Women comprise 38% of our Executive team, up from 28% in FY23. We are particularly focused on attracting more women into leadership roles within Sigma. In FY24, 46.5% of vacant leadership positions were filled by women, up from 41% in the prior year.

In the second half of the year, we undertook a fully underwritten non-renounceable entitlement offer to raise approximately \$400 million of capital. The proceeds of the capital raise are earmarked to support the increased working capital required to implement the new Chemist Warehouse supply agreement commencing in July 2024 as well as to progress business growth initiatives. This equity raise was completed by the year end, and importantly, places Sigma in a sound financial position, and provides financial flexibility and opportunities to invest in growth.

December 2023 marked another milestone for Sigma when we announced a transformational merger with CWG to create a leading healthcare wholesaler, distributor and retail pharmacy franchisor. If approved, this material transaction will diversify our earnings and growth profile whilst also creating opportunities for Sigma to enhance the support provided to pharmacy owners, helping them to profitably grow their business and better support their communities. The Proposed Merger is subject to a number of conditions including regulatory approval, approval by the directors and shareholders of both companies, and court approval of the scheme in accordance with the *Corporations Act 2001 (Cth)*. There will be a wide consultation process which adds to the complexity of predicting timeframes. At the issue date of this annual report, the Proposed Merger is undergoing ACCC review and therefore has no impact to the existing structure of the Group. The expected completion date is contingent on several conditions, including, but not limited to, the outcome of the ACCC review and regulatory, CWG and Sigma shareholder approval processes.

In our 112th year of operations, Sigma continues to be a leader in the wholesale supply of pharmaceutical goods and medicines to community pharmacies across Australia. With the growth in health, beauty and wellness categories, underpinned by favourable demographic trends, this presents Sigma with a significant opportunity for growth in the market. With a solid foundation and key focus on customer service, we are well placed to continue to support affordable and accessible healthcare for consumers.

Operating and financial review

For the year ended 31 January 2024

Financial performance

Highlights:

- Sales revenues \$3.3 billion (-9.2%)
- Statutory EBIT \$23.2 million (+20.4%)
- Statutory NPAT attributable to owners of the company \$4.5 million (+149.0%)
- Full-year dividend of 1.0 cents per share partially franked

Group summary financial performance

\$'000	Group		
	FY24	FY23	Change %
Sales revenue	3,322,058	3,660,240	(9.2%)
Like-for-like wholesale sales revenue (excl. RATs)	3,084,021	2,956,790	4.3%
Gross Profit	218,142	254,408	(14.3%)
Gross Margin	6.6%	7.0%	(40 bps)
EBITDA	51,526	49,608	3.9%
EBIT	23,203	19,272	20.4%
EBIT Margin	0.7%	0.5%	20 bps
Statutory net profit	5,311	3,027	75.5%
NPAT attributable to the owners of the company	4,509	1,811	149.0%
Statutory earnings per share (EPS) (cents per share)	0.4	0.2	

Group sales revenue

Total group sales revenue of \$3.3 billion was down 9.2% on the prior corresponding period (pcp), reflecting the disposal of our hospital wholesale distribution business during the year, the cycling of elevated sales of Rapid Antigen Tests (RATs) in FY23 as well as demand for COVID antiviral tablets normalising. Year on year (YoY) sales growth across all categories was mixed, with PBS lower due to regulatory price reform and brand consolidation, offset by increased franchisee compliance and strong uptake in Front of Shop products. Underlying wholesale sales revenue (excluding RATs) was up 4.3% to \$3.1 billion year on year, with like-for-like revenue in our franchise brands up 9.0%.

Gross margin

Gross profit of \$218.1 million was down 14.3% on the pcp. This reflects the abnormal sales mix in the prior financial year, which was positively influenced by the strong demand for COVID-19 related products, partially offset by material non-recurring stock write-offs reported in 1H23. Gross profit in FY24 was also impacted by the lost contribution from the hospital wholesale distribution business.

Earnings

Reported EBIT of \$23.2 million is up 20.4% and Reported NPAT (attributable to owners) of \$4.5m is up ~150% from the prior year, both after absorbing initial merger transaction costs of \$8.2 million.

Excluding merger transaction costs, EBIT was \$31.4 million and NPAT was \$12.7 million.

Key expenditure items

Warehouse and delivery expenses were down \$27.0 million on the pcp. This reflects the \$6.4 million reduction in labour costs as productivity improved. Warehouse productivity increased 11% YoY leading to reduced freight costs by 8.3% driven by improved route optimisation, offsetting cost inflation. The impact from higher fuel costs were largely mitigated through management actions to re-tender our major freight contracts at the start of the year. Additionally, the exit of the Hospitals wholesale distribution business resulted in \$5.1 million of savings in warehouse and delivery costs.

Operating and financial review

For the year ended 31 January 2024

Sales and marketing expenses were down 20.9% YoY. Savings of \$4.9 million were achieved through a reduction in advertising costs and bad debt and a further \$2.4 million of cost savings were delivered in employment costs through operating model changes that were implemented during the year. The decision to exit low margin businesses at the end of FY23, which included Cura and WholeLife, resulted in an additional \$1.9 million in cost savings.

Administration expenses (excluding merger transaction costs) were down 2.7% on the pcp, reflecting a material decrease in SaaS costs with the majority of implementation costs incurred in the prior period.

Merger transaction costs of \$8.2 million were incurred in relation to the proposed merger with CWG.

Net financing costs were \$14.6 million, up 5.6% on the prior year. This reflects the increased cost of borrowing following the five additional cash rate increases delivered by the Reserve Bank of Australia in the fiscal year, partially offset by lower average net debt during the year. Importantly, with our attention turned towards improving working capital management, average net debt was significantly reduced in the second half compared to the pcp, prior to the capital raise.

Financial position

Sigma's balance sheet was significantly strengthened during the second half of the year and ended FY24 in a strong capital position. The Group's cash reserves of \$356.5 million ensure the Company is well placed to continue investing in people, new products, new business growth initiatives, and support working capital requirements. The growth in cash was achieved with the proceeds from the equity raise and also due to efforts to optimise working capital. All bank debt was paid down as at the end of FY24. Net debt in the pcp was \$(67.0) million.

The Group currently has total debt facilities of \$250 million, with the existing Receivables Purchase Agreement debt facility expiring in November 2025. As at the end of the financial year, \$250 million remained undrawn. Available headroom in our debt facilities under Tranche A is \$135 million and \$115 million in Tranche B.

Excluding the proceeds from the equity raise, the reduction in net debt year on year is driven by EBITDA performance, improvements in working capital and proceeds from the divestment of the hospital operations assets, offset by higher interest expense and repayments on lease liabilities.

The cash flow performance was a standout performance with a strong focus on working capital management delivering lower inventory by \$103.7 million compared to the prior period. Operating cash flow in FY24 was \$42.0 million, with strong cash conversion of 81%.

Sigma's balance sheet position is underpinned by approximately \$1.4 billion in total assets.

Subsequent to the end of the financial year, Sigma obtained formal credit approval from its existing financier for the upsizing and extension of its Receivables Purchase Agreement debt facility. The Board has approved the upsizing and extension of the key terms including price and tenor, subject to formal execution. The renewal of the debt facility is effective from the later of 1 April 2024 and the date of execution and extends the tenor by a further one year, with expiration in November 2026. Additionally, the extension increases the debt facility from the current \$250 million to \$500 million. We anticipate retaining higher levels of liquidity than our long-term average to support working capital requirements for the new CWG supply contract commencing in July 2024, and to provide capacity to respond to strategic growth opportunities.

Operating and financial review

For the year ended 31 January 2024

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 Risk Management and Audit Committee;
- 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</p> <p>The risk of regulatory reforms imposed on the industry in relation to the Pharmaceutical Benefits Scheme (PBS), Community Service Obligation (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</p> <p>There is a risk of Sigma not achieving its strategic priorities if we fail to deliver our key strategic projects, including the further integration of our subsidiaries successfully onto our enterprise resource planning system (ERP).</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</p> <p>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.
<p>Liquidity risk</p> <p>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).

Operating and financial review

For the year ended 31 January 2024

Risk	Mitigation
<p>Operations risk</p> <p>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>	<p>Sigma has various controls in place to address risks to its operations, some specific examples include:</p> <ul style="list-style-type: none"> • Enterprise agreement strategies and site-specific planning. • Business continuity plans and disaster recovery capability and technology for core systems. • Capital investment in distribution centre network infrastructure. • Robust health and safety management system and dedicated health and safety resources.
<p>IT systems, data, cyber and business continuity</p> <p>There is a risk that the Group may be exposed to an event or events which may result in Sigma's or Sigma client's information being unavailable, lost, stolen, copied or otherwise compromised with adverse consequences for the business, which could result in damage to its brand, impact operations and cause a loss of customer trust.</p>	<ul style="list-style-type: none"> • Sigma has a robust information security and data governance strategy and framework. This includes tools, training, systems and processes to address data collection, data governance and protection (information security). • IT Security & Compliance Lead and Vulnerability Management Solution in place. • Control and monitoring of all data entering and leaving the Sigma network. • Next-generation firewalls deployed at all Sigma and subsidiary sites. • Increased training and awareness programme, improved controls and policies, supplemented with Internal Audit reviews. • Maintaining a Security Operations Centre (SOC). • Periodic penetration and security gap (ISO 27001) analysis testing performed. • Monthly Executive reporting on cyber incidents with material information security risks and issues escalated to the Risk Management and Audit Committee.
<p>Social and environmental sustainability risk</p> <p>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)</p> <p>Climate change presents an evolving risk for Sigma. This includes 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. • 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 2024

Remuneration Report – year ended 31 January 2024 (2023/24)

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Abbreviation	Item
AGM	Annual General Meeting
ASX	Australian Securities Exchange
CEO	Chief Executive Officer
EBIT	Earnings Before Interest and Tax
EPS	Earnings per Share
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

For the year ended 31 January 2024

Introduction

Dear Shareholders

On behalf of the Sigma Board, I present the Remuneration Report (Report) for the year ended 31 January 2024 (Financial year). The financial year has seen consistent performance both in terms of financial outcomes and progress on strategic initiatives. This has included a significant improvement in operational performance, securing a new Chemist Warehouse distribution contract commencing 1 July 2024, and a reduction in operating costs. During the year, our Sigma Values were updated to more appropriately align with business strategy.

Additionally, a significant amount of work was undertaken to deliver a signed Merger Implementation Agreement for the proposed merger with the Chemist Warehouse Group.

A number of key appointments to our Executive Leadership team were made during the financial year including Mark Conway as Chief Financial Officer in October 2023.

As part of our commitment to developing our team members' capabilities and delivering a rewarding employment experience, a number of key people initiatives were delivered during the year including:

- the launch of an inaugural Emerging Leaders Program to deliver team member leadership training and to assist with our succession planning needs;
- the establishment of our team member Diversity and Inclusion Reference Group to further strengthen our commitment to inclusion and diversity; and
- the continuation of our Women In Leadership program to support the development of our female leaders and strengthen our talent pipeline. This has contributed to 46.5% of all vacant leadership roles throughout the year being filled by women.

Changes to Remuneration 2024/2025

The Board continues to be focused on driving business growth and aligning shareholders' interests with executive reward for our leadership team. An additional consideration for the Board has been ensuring suitable retention arrangements are in place for the CEO and CFO, in light of the proposed merger. A summary of these changes is set out below:

- Following the "one off" 2023 Executive Equity Grant, the business will revert, for the 2024/2025 year, to a traditional LTI rights plan over a 3 year performance period. Vesting under the 2024/2025 LTI Plan will be subject to 2 performance measures, being Absolute TSR (50%) and Earnings Per Share (50%). This LTI will not include a performance measure related to service. The Plan documentation will contemplate the likely requirement that the performance targets may require adjusting upon the completion of the proposed merger with the Chemist Warehouse Group.
- As noted in last year's report, following a review of market competitiveness of our remuneration arrangements for the CEO against a comparator group of peer companies, the maximum opportunity under the LTI for 2024/2025 will increase from 80% to 100% of fixed remuneration for the CEO. The CFO will participate in his first LTI Plan in 2024/2025 at 50% of his fixed remuneration.
- For the 2024/2025 Short Term Incentive (STI), the Board has approved an increase to the weighting of the financial measure from 50% to 60% of STI opportunity if specified annual performance targets as set by the Board are achieved in accordance with the STI plan. The non-financial measures have been streamlined from 7 metrics down to 5.
- Retention arrangements were considered important as a reflection of the CEO's significant contribution and value of his service over the next two years in light of the proposed merger. These arrangements involve two cash payments over the period December 2024 through to December 2025. The first payment is \$1 million to be paid 12 months from the date of the announcement of the proposed merger (11 December 2023), with the second cash payment of \$500,000 to be paid 24 months from the date of the announcement. The Board considered it appropriate to also implement retention arrangements for the CEO for the Company's benefit in circumstances where the proposed merger does not occur. Accordingly, in circumstances where no change of control event occurs during the 24 months performance period, the second cash payment will increase to \$1 million.
- The Board also considered it important to retain the CFO during and after the proposed transaction period. Having commenced in October 2023 the CFO has no current LTI Plan on foot. Using the same dates as the retention payment for the CEO, the CFO will be entitled to two cash payments of \$290,000 which represents 50% of his current fixed remuneration.

Remuneration Report

For the year ended 31 January 2024

Remuneration Outcomes in 2023/2024

STI Outcomes

In determining the STI outcome for the CEO and CFO, the Board assessed the actual financial performance and KPI outcomes against set targets in key focus areas such as Customer, Operations, Health and Safety, Diversity and Environment. For the purpose of determining the STI outcome for the year, the Board acknowledged that the work performed in relation to the proposed transformational merger with Chemist Warehouse was a significant one-off event under the plan guidelines and approved that those costs not be included for the purpose of assessing the financial performance. The Board approved an STI payment of 92.5% of the maximum STI for the CEO and CFO for the year, with 75% to be paid in cash, and 25% delivered in deferred equity.

LTI Outcomes

The Company did not meet the required target for Return on Invested Capital (ROIC) in the 2021 LTI plan, however the target for Total Shareholder Return (TSR) was achieved at the maximum level. As a result, 50% of loan funded shares vested, while the remaining 50% were forfeited.

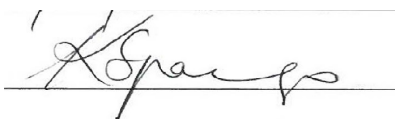
Fixed Remuneration Review

During the financial year, the CEO's fixed remuneration was increased by 3.25% as part of the Company's annual remuneration review. There were no increases to standard Non-Executive fees during the financial year. In recognition of the substantial additional workload associated with the proposed transformational merger with Chemist Warehouse, the Board approved an additional one-off fee of \$150,000 for the Board Chair and \$25,000 for the Chair of the Risk and Audit Committee. This was paid in the 2024/2025 financial year.

In summary, the year ahead will see the business continue in its commitment to continuous improvement in line with its existing strategy. While the proposed merger with the Chemist Warehouse Group is a key activity for the forthcoming year, I am confident that this will not detract from our core focus of continuing to deliver sustainable growth.

As we conclude the financial year, it is important to acknowledge the ongoing contribution and commitment of our team members who play a vital role in supporting access to medicines for the Australian community.

I wish to also take this opportunity to thank Ms Christine Bartlett who was the previous Chair of the Nomination and Remuneration Committee from July 2021 to December 2023, upon her resignation from the Board in December 2023.



Kate Spargo
Chair, Nomination and Remuneration Committee

Remuneration Report

For the year ended 31 January 2024

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 2024 (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.

Current Non-Executive Directors	
Mr M Sammells	Chairman
Ms K Spargo	Non-Executive Director
Mr N Mitchell	Non-Executive Director (from 2 February 2023)
Ms A Carey	Non-Executive Director (from 1 April 2023)
Dr C Roberts	Non-Executive Director (from 6 October 2023)
Former Non-Executive Directors	
Mr D Manuel	Non-Executive Director (to 17 May 2023)
Ms C Bartlett	Non-Executive Director (to 7 December 2023)
Current Executives	
Mr V Ramsunder	CEO/Managing Director
Mr M Conway	Chief Financial Officer (from 30 October 2023)
Former Executives	
Mr N Simonsz	Chief Financial Officer (to 31 August 2023)

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

Remuneration Report

For the year ended 31 January 2024

Executive Remuneration Snapshot for The Financial Year 2023/2024

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. Refer to the section on Executive Remuneration Update for details on the proposed changes to the STI and LTI for 2024/2025.

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>Delivery mechanism</p> <ul style="list-style-type: none"> 75% cash payment and 25% of any STI reward to be in deferred equity for 12 months for the CEO and CFO 		<p>Delivery mechanism</p> <ul style="list-style-type: none"> Executive Equity Grant (EEG) Rights plan with a three-year performance period subject to service and forfeiture conditions 		<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
<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>Performance measures</p> <p>NPAT gateway</p> <p>Minimum performance level must be achieved to trigger any STI payments</p> <p>Financial measures</p> <ul style="list-style-type: none"> 50% STI is aligned to NPAT¹ 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"> 50% of STI is aligned to the achievement of non-financial goals that drive the strategic objectives of the Company 		<p>Performance measures</p> <p>Absolute TSR</p> <ul style="list-style-type: none"> 25% of EEG is measured against Absolute TSR² Vesting of the shares aligned to TSR will occur in accordance with a graduated vesting schedule during the performance period <p>Earnings per Share (EPS)</p> <ul style="list-style-type: none"> 50% of EEG is measured against EPS³ EPS will be progressively tested in years 1, 2 and 3 of the Performance Period against an EPS performance measure with any earned rewards only released at the end of year 3. <p>Service Condition</p> <ul style="list-style-type: none"> 25% of EEG is conditional on the executive being continuously employed by the Company on, and having not given notice of termination of employment prior to, the Vesting Date 		
<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>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 		<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 		

¹ NPAT refers to adjusted NPAT. This is defined as the NPAT (attributable to owners of the Company) adjusted by management for material non-recurring, one-off or extraordinary items in a financial year.

² Total Shareholder Return (TSR) is defined as the total share price appreciation between the grant date and the vesting date plus the gross dividend returns. The opening share price is defined as the 20-day VWAP price leading up to and including the grant date. The closing share price is defined as the 20-day VWAP price leading up to and including the vesting date.

³ EPS refers to Earnings Per Share as defined and calculated in accordance with AASB 133.

Remuneration Report

For the year ended 31 January 2024

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.

In the preceding financial years, as reflected in the footnotes to the table, profitability measures (EBIT, NPAT) and the ROIC result were adjusted for transactions and events considered non-operating or non-recurring in nature. From 2023/24 and going forward, the Group will focus its financial reporting on reported results, minimising adjusting events where possible. This must be considered when reviewing the current period results against the comparatives.

12 months ended 31 January	Financial Year				
	2023/24	2022/23	2021/22	2020/21	2019/20
Share price (\$)¹	0.963	0.607	0.468	0.624	0.586
Dividends paid in the financial year (cps)	1.0	1.5	2.0	n/a	3.0
TSR²	64.63%	34.28%	(20.4%)	6.5%	9.1%
Pre-tax ROIC³	5.6%⁹	11.2%⁸	7.9%⁷	10.1%⁵	7.1%⁴
EBIT (\$m) – Adjusted*	\$30.7⁹	\$65.0⁸	\$47.6⁷	\$50.1⁶	\$29.1⁶
NPAT (\$m) – Adjusted (attributable to owners of the company)	\$12.79	\$37.7⁸	\$25.3⁷	\$29.1⁶	\$13.5⁶
NPAT (\$m) – Reported (attributable to owners of the company)	\$4.5	\$1.8	\$(7.2)	\$43.5	\$(12.3)

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

³ $\text{Pre-tax ROIC} = \text{EBIT} / (\text{Total Shareholder Funds} + \text{Net Debt})$

⁴ Adjusted for capital investment in ongoing construction of new distribution centres, business acquisitions and acquisition costs

⁵ Adjusted for capital investment on new distribution centres and business acquisitions

⁶ Adjusted for expenses from restructuring, integration and due diligence, gain on sale of assets and profit of non-controlling interests

⁷ For the 2021/2022 financial year, this figure adjusts for a number of one-off items including SaaS change in accounting policy and restructuring costs.

⁸ Adjusted for a number of one-off items including losses associated with the cessation of Cura service contract and loss on the disposal of WholeLife, and inventory adjustments

⁹ Adjusted for non-operating transaction costs associated with the proposed merger

* EBIT (\$m) – Adjusted, metric excludes contribution from non-controlling interest for determining ROIC

Fixed Remuneration

The CEO/Managing Director was awarded a 3.25% increase and the former Chief Financial Officer was awarded a 3% increase to their fixed remuneration as part of the Company's annual remuneration review.

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.

In determining the STI outcome, the Board acknowledged that the work performed in relation to the proposed transformational merger with Chemist Warehouse was a significant one-off event under the plan guidelines and approved that those costs not be included for the purpose of assessing performance against NPAT and determining the STI outcomes for this year. Targets for all non-financial measures were achieved, with the Operations, Diversity and Customer targets being exceeded. As a result, the Board approved an STI payment of 92.5% of maximum STI for the CEO and CFO for the year, with 75% to be paid in cash, and 25% in deferred equity.

Remuneration Report

For the year ended 31 January 2024

The table below shows the STI outcomes for the 2023/24 financial year:

FINANCE			OBJECTIVE	METRIC			
Weighting 50%	% Achieved 100%	Weighted Outcome 50%	Improve Profitability (50%)	Budget Net Profit After Tax			
The Company achieved adjusted NPAT of \$12.7m, exceeding the target financial measure for the year's STI program.			Achievement	\$12.7m			
				Significantly below	Below	Achieved	Exceeded
OPERATIONS			OBJECTIVE	METRIC			
Weighting 20%	% Achieved 100%	Weighted Outcome 20%	Improve Core Operations (10%)	Delivered in Full			
Our Distribution Centres continued to perform at world class standards with very pleasing operational results.			Achievement	99.63%			
				Significantly below	Below	Achieved	Exceeded
			Improve Core Operations (10%)	Despatched on Time			
			Achievement	99.46%			
				Significantly below	Below	Achieved	Exceeded
PEOPLE			OBJECTIVE	METRIC			
Weighting 15%	% Achieved 67%	Weighted Outcome 10.0%	Improve Health & Safety Performance (5%)	LTIFR			
While our stretch LTIFR target was not achieved, our LTIFR of 2.18 is better than available industry benchmarking data. Our PPI measure captures proactive actions and events used to prevent injury and accidents.			Achievement	2.18			
				Significantly below	Below	Achieved	Exceeded
The number of women appointed to vacant leadership roles exceeded the target, resulting in more women in leadership roles across the business at year end.			Improve Health & Safety Performance (5%)	Positive Performance Indicators (PPIs)			
			Achievement	96.41%			
				Significantly below	Below	Achieved	Exceeded
			Improve diversity in leadership roles (5%)	Leadership roles filled by females			
			Achievement	46.58%			
				Significantly below	Below	Achieved	Exceeded
CUSTOMER AND ENVIRONMENTAL			OBJECTIVE	METRIC			
Weighting 15%	% Achieved 75%	Weighted Outcome 12.5%	Reduce environmental impact (5%)	Renewable energy consumption			
Progress continues to be made on renewable energy consumption as part of the Company's ESG strategy (Plan to 2030). This year's sustainability report provides additional information on our progress towards our 2030 ESG plans.			Achievement	22.9%			
				Significantly below	Below	Achieved	Exceeded
The Company exceeded its target on Voice of Customer, which reflects the continued improvement in our key performance metrics. Enhancements made during the reporting year to Sigma Connect, our online ordering platform, and route optimisation work which strengthened our delivery reliability, also contributed to this result.			Increase customer satisfaction (10%)	Voice of Customer (NPS)			
			Achievement	40.7			
				Significantly below	Below	Achieved	Exceeded

The NPAT Gateway of 90% of budget must be achieved for Executives to qualify for a payment under the STI plan.

Remuneration Report

For the year ended 31 January 2024

The table below shows the STI payments to each Executive for the 2023/24 financial year, as approved by the Board:

KMP	2023/24							2022/23						
	Maximum STI	Target	Stretch	Total STI Awarded	Cash STI Paid	Performance		Maximum STI	Target	Stretch	Total STI Awarded	Cash STI Paid	Performance	
		Opportunity	Opportunity			Rights Issued ¹	Deferral period ²		Opportunity	Opportunity			Rights Issued ¹	Deferral period ²
	\$	\$	\$	\$	\$	#		\$	\$	\$	\$	#		
Mr V Ramsunder	100%	516,250	1,032,500	955,063	716,297	242,994	1/2/24 - 31/1/25	80%	400,000	800,000	600,000	450,000	240,462	1/2/23 - 1/2/24
Mr N Simonsz	n/a	n/a	n/a	n/a	n/a	n/a	n/a	50%	65,104	130,208	97,656	73,242	39,138 ³	1/2/23 - 1/2/24
Mr M Conway	50%	37,923	75,846	70,158	52,618	17,850	1/2/24 - 31/1/25	n/a	n/a	n/a	n/a	n/a	n/a	n/a
TOTAL		554,173	1,108,346	1,025,221	768,915	260,844			465,104	930,208	697,656	523,242	279,600	

¹ The number of rights was calculated based on the volume weighted average price of a Share for the 5 trading days immediately preceding the end of the performance period.

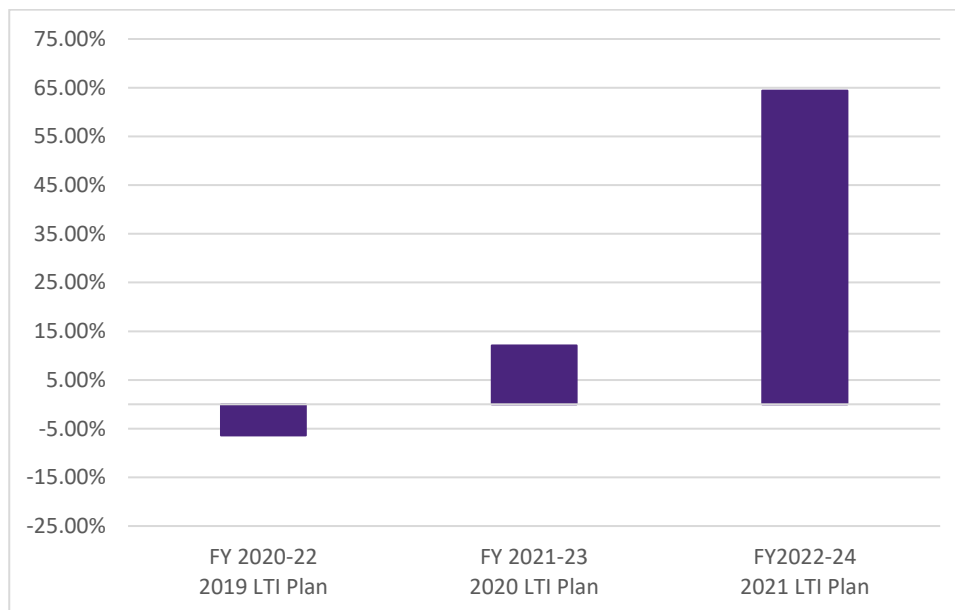
² These deferred rights are not lost if employment ends during the deferral period (other than in bad leaver circumstances)

³ Mr Simonsz' performance rights were forfeited due to his employment ceasing during the deferral period

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, ROIC and EPS. The following graph depicts the Company's Absolute TSR movement aligned to the applicable financial years measured over the past three LTI Plans.

Sigma Healthcare Limited Absolute TSR Movement – 1 February 2019 to 31 January 2024



Remuneration Report

For the year ended 31 January 2024

2021 Long Term Incentive Plan

Under the 2021 LTI Rights Plan, 50% of the rights granted will each vest where the pre-determined performance conditions are met over the three-year performance period. 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 2021 to 31 January 2024	Average pre-tax ROIC	<10%, 0% vests ≥10%, 12.5% vests ≥11%, 25% vests ≥12%, 50% vests	8.2%	0%	50%
	Absolute TSR	<30%, 0% vests ≥30%, 12.5% vests ≥40%, 25% vests ≥50%, 50% vests	64.6%	50%	0%

The absolute TSR exceeded the maximum vesting requirement, therefore 50% of rights under the Plan vested. The ROIC performance measure was not achieved, therefore the remaining 50% of unvested rights were forfeited.

Remuneration Governance, Strategy and Principles

The Board is responsible for determining Non-Executive Director and senior executive remuneration. The Nomination 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. As at 31 January 2024 the Committee members were:

Name	Role
Ms K Spargo	Chair (from 8 December 2023)
Ms C Bartlett	Chair (to 7 December 2023)
Ms A Carey	Member
Mr M Sammells	Member (from 7 December 2023)

In accordance with section 206K of the *Corporations Act 2001*, the Committee has a process for engaging remuneration consultants. The Committee, on behalf of the Board, commissions and receives information, advice and recommendations directly from remuneration consultants, ensuring remuneration recommendations are free of undue influence by management. During the financial year, the Board received remuneration market data and advice on various matters relating to long term incentive plan design and issues from SW Corporate. No remuneration recommendations (as defined in the *Corporations Act 2001*) were made during the 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:

Remuneration Report

For the year ended 31 January 2024

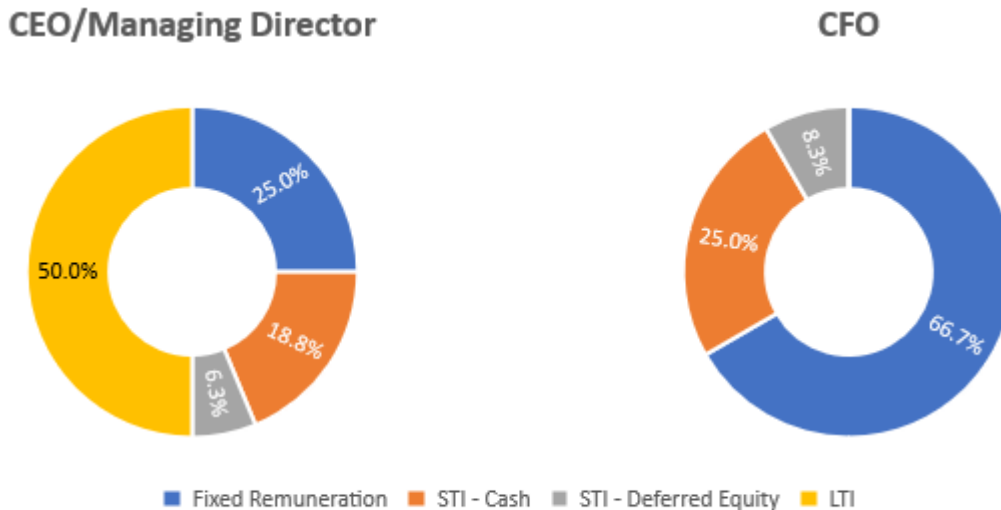


Remuneration Report

For the year ended 31 January 2024

Executive Remuneration Framework

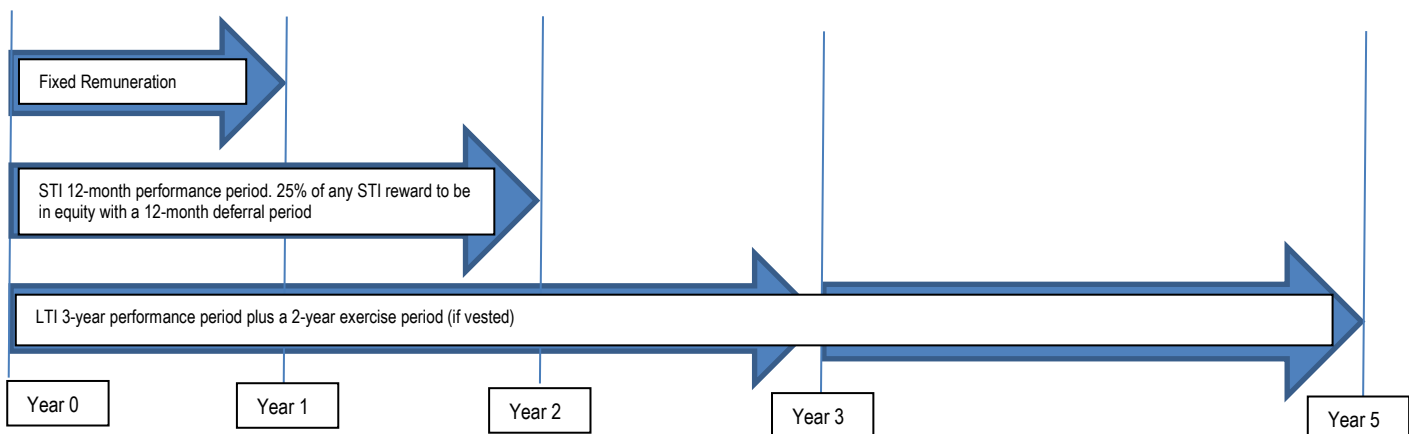
An appropriate reward mix structure is determined for the CEO/Managing Director and CFO, with the portion of at-risk remuneration reflecting the level of responsibility, influence and criticality of the role. The maximum potential reward mix is as follows for FY2023/2024:



The graphic above displays our current remuneration framework. It excludes the retention arrangements for the CEO/Managing Director and CFO associated with the proposed merger. The CFO commenced in October 2023 and was not eligible to participate in the 2023/24 LTI program. The CFO will become eligible to participate in the LTI plan for FY2024/2025.

Changes to remuneration for the CEO/Managing Director and the CFO for FY2024/2025 are set out on page 33 under Executive Remuneration Updates.

The graph below depicts the executive remuneration delivery timeline for the financial year 2023/2024:



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.

The CEO/Managing Director was awarded a 3.25% increase and the former Chief Financial Officer, Mr. N Simonsz, was awarded a 3% increase as part of the annual remuneration review in 2023/2024.

Remuneration Report

For the year ended 31 January 2024

Short Term Incentive for the Financial Year 2023/2024

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 STI award granted during the financial year is detailed below.

Component	Commentary										
Maximum STI Reward Value	100% of fixed remuneration for the CEO/Managing Director. 50% of fixed remuneration for the CFO (on a pro-rata basis based on tenure).										
Gateway Requirement	<p>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.</p> <p>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.</p>										
Performance Measures Financial	<p>50% of maximum STI reward relate to NPAT.</p> <p>Budgeted NPAT has 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.</p> <p>Rationale for adopting NPAT as a performance measure</p> <p>NPAT was selected as an appropriate performance measure as it assesses overall Company performance and the generation of shareholder value.</p> <p>Group financial calculations under the STI plan exclude significant uncontrollable or one-off events, and the initial impacts from business development initiatives, as approved by the Board.</p>										
Performance Measures Non-financial	<p>50% of maximum STI reward relate to non-financial measures, specifically:</p> <table border="1"> <thead> <tr> <th>Customer</th> <th>Operations</th> <th>Health and Safety</th> <th>Environmental</th> <th>Diversity</th> </tr> </thead> <tbody> <tr> <td>Voice of Customer</td> <td>Delivery Indicators</td> <td>Health and Safety metrics</td> <td>Renewable energy consumption</td> <td>Females appointed to vacant leadership roles</td> </tr> </tbody> </table>	Customer	Operations	Health and Safety	Environmental	Diversity	Voice of Customer	Delivery Indicators	Health and Safety metrics	Renewable energy consumption	Females appointed to vacant leadership roles
Customer	Operations	Health and Safety	Environmental	Diversity							
Voice of Customer	Delivery Indicators	Health and Safety metrics	Renewable energy consumption	Females appointed to vacant leadership roles							
	<p>Each non-financial measure is selected based on its alignment with key strategic priorities that lead to improved and sustainable shareholder value.</p>										
Governance	<p>All performance measures under the STI are clearly defined and measurable.</p> <p>The Board, on recommendation from the Nomination and Remuneration Committee, approves the targets and assesses the performance outcome under the STI plan.</p> <p>The Board, on recommendation from the Nomination and Remuneration Committee, approves STI payments for the CEO/Managing Director and the CFO.</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	STI reward is to be delivered in a combination of cash and deferred equity for the CEO/Managing Director and the CFO as determined by the Board. For the 2023/2024 financial year, this is comprised of 75% in cash and 25% in deferred rights.										
Financial Year Outcome	In determining the STI outcome, the Board acknowledged that the work performed in relation to the proposed transformational merger with Chemist Warehouse was a significant one-off event under the plan guidelines and approved that those costs not be included for the purpose of assessing performance against NPAT and determining the STI outcomes for this year. Refer to page 19 for further details.										

Remuneration Report

For the year ended 31 January 2024

Long Term Incentive for The Financial Year 2023/2024

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. The 2023/2024 LTI plan was delivered through a "one-off" Executive Equity Grant Rights Plan (EEG).

Component	Commentary
Maximum LTI Reward Value	<p>The maximum LTI reward value for the CEO/Managing Director is 200% of fixed remuneration for the 2023/2024 EEG plan only.</p> <p>The CFO was not eligible to participate in the 2023/2024 LTI.</p> <p>Changes to remuneration for the CEO and CFO for the 2024/2025 financial year following the "one-off" EEG will move to a maximum LTI reward value of 100% of fixed remuneration for the CEO/Managing Director and 50% of fixed remuneration for the CFO for the 2024/2025 financial year and are set out on page 33 under Executive Remuneration Updates.</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 the opportunity to acquire Rights subject to the vesting conditions being met. The vesting period is 3 years from the grant date, and Rights must be exercised before the expiry of the term, which is 5 years from the grant date.</p> <p>The maximum number of Rights is determined by dividing the agreed maximum incentive opportunity by the 10 day volume weighted average price (VWAP) commencing on the start of the performance period.</p>
Vesting Conditions	<p>Up to 25% of shares will vest in accordance with the absolute TSR vesting schedule set out below:</p> <ul style="list-style-type: none">(i) 12.5% of the performance rights will vest if a minimum absolute TSR of 8% CAGR Compound Annual Growth Rate (CAGR) is achieved during the performance period;(ii) 25% of the performance rights will vest if an absolute TSR of 12% CAGR is achieved during the performance period; and(iii) This will increase in a straight line to a maximum vesting of this component at 12% CAGR. <p>Absolute TSR = (Sigma share price appreciation + dividends + value of franking credits) / Sigma share price at the start of the performance period.</p> <p>Up to 50% of shares will vest in accordance with an Earnings per Share (EPS) measure as set out below:</p> <ul style="list-style-type: none">(i) EPS will be progressively tested in years 1, 2 and 3 of the performance period against an EPS performance measure with any earned rewards only released at the end of Year 3;(ii) The EPS performance measure will be set at the beginning of each year based on the outlook following the preceding year; and(iii) The vesting range is to be agreed and advised by the Board. <p>The EPS target for the 2023/24 financial year was 1 cent.</p> <p>25% of shares will vest subject to the Executive being continuously employed by the Company on, and having not given notice of termination of employment prior to, the vesting date.</p>

Remuneration Report

For the year ended 31 January 2024

Rationale for adopting Absolute TSR, EPS and Service as vesting conditions

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.

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.

EPS was selected as a suitable vesting condition as it is a universal standard measure on Company performance. The 25% Service element of the EEG was considered appropriate to assist with retention of the CEO during the Company's rebuild.

Re-testing	No re-testing applies- shares that do not vest after testing lapse.
Disposal Restrictions	Dealing, transferring or disposing of shares is prohibited until the end of the vesting period.
Forfeiture Conditions	In the event of resignation, unvested shares are typically forfeited (subject to Board discretion) and vested shares are retained. In the event of summary dismissal, unvested shares are forfeited. In the event of death or redundancy, the Board has discretion to determine an appropriate outcome.
Governance	All performance measures under the LTI are clearly defined and measurable. The Board, on recommendation from the Nomination and Remuneration Committee, approves the targets and assesses the performance outcome of each LTI plan. The Board, on recommendation from the Nomination 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.
Financial Year Outcomes	The absolute TSR exceeded the maximum vesting requirement, therefore 50% of rights under the 2021 LTI Plan vested. The ROIC performance measure was not achieved, therefore the remaining 50% of unvested rights were forfeited.

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

CEO Sign on Rights

Following shareholder approval at the Company's AGM in May 2022, Sigma Healthcare issued \$1,400,000 of rights in Sigma Healthcare shares to the CEO/Managing Director in recognition of the exit arrangements from his previous employer. The rights have vested in two equal tranches on the first and second anniversary respectively of the commencement date provided Mr Ramsunder remained in the employ of the Company and had not given notice of termination of employment. The first tranche of the rights has vested and became exercisable on 1 February 2023. The second tranche of rights has vested and becomes exercisable on 1 February 2024. Details of the grant is set out in Table 3b on page 37.

Treatment of Equity - Proposed Transformational Merger with Chemist Warehouse

In the context of the proposed transformational merger with Chemist Warehouse, the Board has given consideration to the treatment of the 2023/2024 EEG. If the merger was to complete prior to the vesting dates of the EEG the rights under the 2023/2024 EEG will be subject to the following treatment:

(i) a cash payment equal to the value of 25% of the EEG Rights (being the service based component of the grant) be made upon the 'normal' retention date in the EEG (being 31 January 2026) and the corresponding EEG Rights lapsing, (ii) a cash payment equal to the value of 37.5% of the EEG Rights be made upon the proposed merger completing and the corresponding EEG rights lapsing, and (iii) 37.5% of the EEG Rights converting to ordinary shares in Sigma as at completion of the proposed merger that are then held in escrow until 31 January 2026.

Remuneration Report

For the year ended 31 January 2024

If the CEO gives notice of termination of employment prior to a settlement event as detailed above, his entitlements under the EEG (as modified) will be forfeited.

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, vested LTI that is subject to an outstanding loan balance, or clawback acquired Shares on exercise of Rights, should the Board determine the specific circumstance warrants such action.

Change of Control Event

Generally, 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 vests.

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 the CFO within a five year period. The Policy also contains details of the Non-Executive Director's minimum shareholding as set out on page 31. The Policy can be viewed on the Company's website at www.sigmahealthcare.com.au.

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 for the period up until Mr Manuel retired as a Director was \$2,997,848 incl GST (2023: \$9,702,903). The amounts receivable as of 17 May 2023 from Mr Manuel and his Director-related entities included within trade debtors was \$1,741,301. As at 31 January 2024, the amounts receivable from Directors or Director-related entities included within trade debtors in Note 8 was nil (31 January 2023: \$1,378,085). 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 V Ramsunder	12 months	12 months
Mr N Simonsz	6 months	6 months
Mr M Conway	6 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

For the year ended 31 January 2024

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.

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 39.

During the period of discussion with Chemist Warehouse in relation to a proposed merger, the Non-Executive Director share plan was suspended. The 25% of fees that would ordinarily be directed toward a share purchase was paid in cash to Directors.

There has been no fee increase since the Board's decision to reduce fees for all positions from 1 November 2021. Total fees and superannuation actually paid to the Non-Executive Directors for the financial year was \$1,032,515, as set out in Table 1 on page 34.

In recognition of the significant additional workload associated with the proposed transformational merger with Chemist Warehouse, the Board approved an additional one-off fee of \$150,000 for the Board Chair and \$25,000 for the Chair of the Risk and Audit Committee for the period up to 11 December 2023. This was paid in the 2024/2025 financial year.

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*
	Since 1 November 2021
Chairman	\$290,000
Non-Executive Director	\$120,000
Risk Management and Audit Committee- Chair	\$40,000
Nomination and Remuneration Committee- Chair	\$40,000
Risk Management and Audit Committee- Member	\$15,000
Nomination and Remuneration Committee- Member	\$15,000

*Includes the 25% of Non-Executive Director fees used for share acquisition and excludes Superannuation Guarantee contributions.

Remuneration Report

For the year ended 31 January 2024

Executive Remuneration Updates

Moving into the new financial year, the business will continue its focus on continuous improvement and enhancing earnings. to suitably drive growth while rewarding and retaining the CEO and the CFO, the Board is seeking to make a change to its variable remuneration structure in FY2024/2025.

A summary of the changes to the terms and conditions for FY2024/2025 for both Mr Ramsunder and Mr Conway are set out below:

Short Term Incentive (STI)	<p>Following a review of our remuneration arrangements in order to maintain a competitive remuneration framework, for the financial year 2024/2025, the Board has approved an increase to the weighting of the financial measure from 50% to 60% of STI opportunity if specified annual performance targets as set by the Board are achieved in accordance with the STI plan.</p> <p>The non-financial measures have been streamlined from 7 metrics down to 5.</p> <p>For the 2024/2025 financial year, the STI will continue to be delivered via a combination of cash and deferred equity (75% & 25% respectively). This deferred equity will not be forfeited if employment was to end during the deferral period (other than in bad leaver circumstances).</p>
Long Term Incentive (LTI)	<p>As indicated in last year's Remuneration Report, the Company will revert to a 3 year LTI Rights plan for the 2024/2025 financial year. In comparison to the previous loan funded share plan, the Board has increased to Mr Ramsunder's maximum opportunity under the LTI from 80% to 100% of fixed remuneration, and from 40% to 50% for the CFO, noting that Mr Conway was not eligible to participate in the 2023/2024 LTI.</p> <p>The LTI will run over 3 years and is subject to two performance measures – being Absolute TSR (50%) and Earnings Per Share (50%). The LTI does not include a service element.</p>
KMP Retention Arrangements	<p>Retention arrangements were considered important to secure the services of the CEO and CFO over the next two years in light of the proposed merger. For the CEO, these arrangements involve a cash payment in December 2024 of \$1 million and one of \$500,000 in December 2025. For the CFO, these payments are \$290,000 each with the same payment date as that of the CEO. The Board considered it appropriate to also implement retention arrangements for the CEO for the Company's benefit in circumstances where the proposed merger does not occur. Accordingly, in circumstances where no change of control event occurs during the 24 month performance period, the second cash payment will increase to \$1 million.</p>

Remuneration Report

For the year ended 31 January 2024

TABLE 1: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2023/24

	Short Term Benefits				Post-employment Benefits	Other Long Term Benefits ³	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 ⁷
	Salary and Base Fees ¹	Committee Fees	Short-term Incentive ²	One-off Awards	Superannuation Benefits			Rights ⁵	Loan Funded Shares ⁵		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	
NON-EXECUTIVE DIRECTORS											
Ms C Bartlett	102,308	34,103	n/a	n/a	14,672	n/a	151,083	n/a	n/a	151,083	-
Ms A Carey	100,000	12,500	n/a	n/a	12,206	n/a	124,706	n/a	n/a	124,706	-
Mr D Manuel	36,000	9,000	n/a	n/a	4,725	n/a	49,725	n/a	n/a	49,725	-
Mr N Mitchell	119,538	35,776	n/a	25,000 ¹⁰	19,224	n/a	199,538	n/a	n/a	199,538	-
Dr C Roberts	38,182	4,773	n/a	n/a	4,725	n/a	47,680	n/a	n/a	47,680	-
Mr M Sammells	290,000	(5,436) ⁴	n/a	150,000 ¹⁰	26,521	n/a	461,085	n/a	n/a	461,085	-
Ms K Spargo	120,000	37,853	n/a	n/a	17,030	n/a	174,883	n/a	n/a	174,883	-
Subtotal for Non-Executive Directors	806,028	128,569	n/a	175,000	99,103	n/a	1,208,700	n/a	n/a	1,208,700	-
EXECUTIVES											
Mr V Ramsunder	943,121	-	716,297	174,658 ¹¹	26,521	2,267	1,862,864	1,169,972	351,196	3,384,032	45
Mr M Conway ⁸	148,059	-	52,618	260,781 ⁹	6,850	104	468,412	17,850	n/a	486,262	4
Mr N Simonsz ⁶	345,660	-	-	-	15,105	(186)	360,579	-	n/a	360,579	-
Subtotal for Executives	1,436,840	-	768,915	435,439	48,476	2,185	2,691,855	1,187,822	351,196	4,230,873	36
TOTAL	2,242,868	128,569	768,915	610,439	147,579	2,185	3,900,555	1,187,822	351,196	5,439,573	28

¹ For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 29. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

² Represents the reward under the 2023/24 STI plan. Of the STI payment made to Mr Ramsunder, \$716,297 was paid in cash, with the remaining payment made by way of rights. Of the STI payment made to Mr Conway, \$52,618 was paid in cash, with the remaining payment made by way of rights.

³ Includes amounts in respect to long service leave expense movement.

⁴ Represents an adjustment to Committee Fees paid to Mr M Sammells in FY2022/2023 while being acting Chairman.

⁵ The value of the rights and loan funded shares determined using the Monte-Carlo simulation is expensed over the vesting period, therefore the amount disclosed above for the current year includes loan funded shares allocated in prior years.

⁶ Chief Financial Officer until 31 August 2023

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

⁸ Appointed as Chief Financial Officer from 30 October 2023.

⁹ Represents a sign on payment for Mr M Conway upon commencement and value of retention arrangements associated with the proposed merger.

¹⁰ Represents one-off fee approved for the Board Chair and Chair of the Risk Management and Audit Committee in recognition of the significant work associated with the proposed merger.

¹¹ Represents value of retention arrangements associated with proposed merger.

Remuneration Report

For the year ended 31 January 2024

TABLE 2: Statutory remuneration disclosure for key management personnel of the Company and Group: financial year 2022/23

	Short Term Benefits				Post-employment Benefits	Other Long Term Benefits ³	Other Short Term Benefits ⁴	Total Remuneration excluding Value in Share-Based	Value in Share-Based Plans		Total Remuneration including Value in Share-Based	Share Based Payments as Proportion of Remuneration ⁷
	Salary and Base Fees ⁶	Committee Fees	Short-term Incentive ²	One-off Awards ¹⁰	Superannuation Benefits				Rights ⁵	Loan Funded		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
NON-EXECUTIVE DIRECTORS												
Mr R Gunston ⁶	120,833	-	n/a	n/a	9,820	n/a	-	130,653	n/a	n/a	130,653	-
Ms C Bartlett	120,000	40,000	n/a	n/a	16,467	n/a	-	176,467	n/a	n/a	176,467	-
Mr D Manuel	120,000	30,000	n/a	n/a	15,438	n/a	-	165,438	n/a	n/a	165,438	-
Mr M Sammells	217,205	25,897	n/a	n/a	21,323	n/a	-	264,425	n/a	n/a	264,425	-
Ms K Spargo	120,000	39,103	n/a	n/a	16,393	n/a	-	175,496	n/a	n/a	175,496	-
Subtotal for Non-Executive Directors	698,038	135,000	n/a	n/a	79,441	n/a	-	912,479	n/a	n/a	912,479	-
EXECUTIVES												
Mr V Ramsunder	1,044,608	-	450,000	n/a	24,574	711	165,293	1,685,186	1,113,575	351,196	3,149,957	47
Mr J Sells ⁸	124,251	-	-	n/a	4,563	1,268	-	130,082	8,947	50,722	189,751	31
Mr N Simonsz ⁹	266,353	-	73,242	165,000	10,830	183	-	515,608	24,414	-	540,022	5
Subtotal for Executives	1,435,212	-	523,242	165,000	39,967	2,162	165,293	2,330,876	1,146,936	401,918	3,879,730	40
TOTAL	2,133,250	135,000	523,242	165,000	119,408	2,162	165,293	3,243,355	1,146,936	401,918	4,792,209	32

¹ For Non-Executive Directors, includes base fees paid in cash and shares as per the Non-Executive Directors Share Plan detailed on page 29. For the Executives, includes base salary and amounts in respect to annual leave expense movement.

² Represents the reward under the 2022/23 STI plan. Of the STI payment made to Mr Ramsunder, \$450,000 was paid in cash, with the remaining payment made by way of rights. Of the STI payment made to Mr Simonsz, \$73,242 was paid in cash, with the remaining payment made by way of rights.

³ Includes amounts in respect to long service leave expense movement.

⁴ Represents the costs met by the company in relation to Mr V Ramsunder's relocation, such as airfares and housing assistance. A number of these benefits were subject to FBT totalling \$3,022 which is included in this column.

⁵ The value of the rights and loan funded shares determined using the option pricing model is expensed over the vesting period, therefore the amount disclosed above for the current year includes loan funded shares allocated in prior years.

⁶ Deceased 5 July 2022.

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

⁸ The balances relate to the period as KMP. Superannuation benefits shown have been updated to represent period as KMP.

⁹ Appointed as Chief Financial Officer from 29 August 2022.

¹⁰ Represents a sign on payment for Mr N Simonsz upon commencement.

Remuneration Report

For the year ended 31 January 2024

TABLE 3a: LTI loan funded shares: details of movement during the financial year 2023/24

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 01/02/23	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/24	Loan Value at Grant Date \$	Loan Balance at 01/02/23 ⁷ \$	Loan Repayments During the Year ⁴ \$	Loan Balance at 31/01/24 \$
Mr V Ramsunder	01/02/2022	0.4650	0.1100	0.4650	01/02/2025	10,179,605	-	-	-	-	10,179,605	4,733,516	4,694,979	77,074	4,617,905
Mr M Conway ⁵	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr N Simonsz ⁶	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 and/or dividend payment.

⁵ Mr M Conway was not eligible to participate in the 2022 LTI plan.

⁶ Mr N Simonsz was not eligible to participate in the 2022 LTI plan.

⁷ Includes \$12,361 dividend payment made to Mr Ramsunder in cash in FY2022/2023 and not removed from loan balance.

Remuneration Report

For the year ended 31 January 2024

TABLE 3b: LTI loan funded shares: details of movement during the financial year 2022/23

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 01/02/22	Granted During the Year	Vested During the Year	Forfeited During the Year	Exercised During the Year	Balance at 31/01/23	Loan Value at Grant Date \$	Loan Balance at 01/02/22 \$	Loan Repayments During the Year ⁴ \$	Loan Balance at 31/01/23 \$
Mr V Ramsunder	01/02/2022	0.4650	0.1100	0.4650	01/02/2025	-	10,179,605	-	-	-	10,179,605	4,733,516	4,733,516	50,898	4,682,618
Mr J Sells ⁵	01/02/2020	0.6000	0.1350	0.6000	01/02/2023	2,583,679	-	-	-	-	2,583,679	1,550,207	1,511,083	-	1,511,083
	01/02/2021	0.6750	0.1450	0.6750	01/02/2024	2,246,692	-	-	-	-	2,246,692	1,516,517	1,482,496	-	1,482,496
	01/02/2022	0.4650	0.1100	0.4650	01/02/2025	-	2,089,224	-	-	-	2,089,224	971,489	971,489	-	971,489
Mr N Simonsz ⁶	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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 and/or dividend payment.

⁵ The number of shares and loan balance at 31 January 2023 represents the balance at the date on which Mr J Sells ceased to be a KMP on 11 April 2022.

⁶ Mr N Simonsz was not eligible to participate in the 2022 LTI plan.

Remuneration Report

For the year ended 31 January 2024

TABLE 3c: Rights: details of movement during the financial year 2023/24

Executive	Grant Date	Fair Value Per Right at Grant!\$	Exercise Price \$	Exercise Date ²	Number of Rights							Vesting Date	Expiry Date
					Balance at 01/02/23	Granted During the Year	Vested During the Year	Vested %	Forfeited During the Year	Exercised During the Year	Balance at 31/01/24		
Mr V Ramsunder	01/02/2022	0.4400	-	01/02/2023	1,482,423	-	-	100%	-	(1,482,423)	-	31/01/2023	31/01/2026
	01/02/2022	0.4200	-	01/02/2024	1,482,422	-	1,482,422	100%	-	-	1,482,422	31/01/2024	31/01/2026
	01/02/2023	0.4150	-	01/02/2026	-	3,112,283	-	-	-	-	3,112,283	31/01/2026	31/01/2028
	01/02/2023	0.6200	-	01/02/2024	-	240,462	-	100%	-	-	240,462	31/01/2024	31/01/2027
Mr N Simonsz ³	01/02/2023	0.4150	-	01/02/2026	-	1,940,467	-	-	(1,940,467)	-	-	31/01/2026	31/01/2028
	01/02/2023	0.6200	-	01/02/2024	-	39,138	-	-	(39,138)	-	-	31/01/2024	31/01/2027

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

² Rights will only vest after satisfying the specific vesting conditions and are subject to forfeiture conditions.

³ The number of rights at 31 January 2024 represents the balance at the date on which Mr N Simonsz ceased to be a KMP on 31 August 2023.

TABLE 3d: Rights: details of movement during the financial year 2022/23

Executive	Grant Date	Fair Value Per Right at Grant!\$	Exercise Price \$	Exercise Date ²	Number of Rights							Vesting Date	Expiry Date
					Balance at 01/02/22	Granted During the Year	Vested During the Year	Vested %	Forfeited During the Year	Exercised During the Year	Balance at 31/01/23		
Mr V Ramsunder	01/02/2022	0.4400	-	01/02/2023	-	1,482,423	1,482,423	100%	-	-	1,482,423	31/01/2023	31/01/2026
	01/02/2022	0.4200	-	01/02/2024	-	1,482,422	-	-	-	-	1,482,422	31/01/2024	31/01/2026
Mr J Sells ³	01/02/2019	0.5000	-	01/02/2020	225,663	-	-	-	-	(225,663)	-	31/01/2020	31/01/2023
	01/02/2019	0.4700	-	01/02/2021	180,530	-	-	-	-	(180,530)	-	31/01/2021	31/01/2023
	01/04/2022	0.5100	-	01/12/2022	-	382,775	-	-	-	-	382,775	30/11/2022	01/12/2025
Mr N Simonsz	-	-	-	-	-	-	-	-	-	-	-	-	-

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

² Rights will only vest after satisfying the specific vesting conditions and are subject to forfeiture conditions.

³ The number of rights at 31 January 2022 represents the balance at the date on which Mr J Sells ceased to be a KMP on 11 April 2022.

Remuneration Report

For the year ended 31 January 2024

TABLE 4a: Shareholdings of key management personnel

2024	Number of Shares at 01/02/2023	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 31/01/2024
NON-EXECUTIVE DIRECTORS						
Mr D Manuel ¹	382,610	6,981	-	-	-	389,591
Ms K Spargo	448,212	20,702	241,278	-	-	710,192
Ms C Bartlett ²	276,130	13,952	175,465	-	-	465,547
Ms A Carey ³	-	10,186	3,708	-	-	13,894
Mr N Mitchell ⁴	-	15,147	6,474	-	-	21,621
Dr C Roberts ⁵	-	4,696	-	-	-	4,696
Mr M Sammells	125,383	35,900	81,444	-	-	242,727
Subtotal for Non-Executive Directors	1,232,335	107,564	508,369	-	-	1,848,268
EXECUTIVES						
Mr M Conway ⁶	-	-	-	-	-	-
Mr V Ramsunder	-	1,482,423	-	-	-	1,482,423
Subtotal for Executives	-	1,482,423	-	-	-	1,482,423
TOTAL	1,232,335	1,589,987	508,369	-	-	3,330,691

¹ The number of shares at 31 January 2024 represent the balance at the date on which Mr D Manuel ceased to be a KMP on 17 May 2023.

² Ms C Bartlett ceased to be a KMP on 7 December 2023.

³ Ms A Carey commenced as a KMP on 1 April 2023

⁴ Mr N Mitchell commenced as a KMP on 2 February 2023

⁵ Dr C Roberts commenced as a KMP on 6 October 2023. Dr C Roberts is a Nominee Director of HMC, who have a 19% shareholding in Sigma Healthcare.

⁶ Mr M Conway commenced as a KMP on 30 October 2023

Remuneration Report

For the year ended 31 January 2024

TABLE 4b: Shareholdings of key management personnel (continued)

2023	Number of Shares at 01/02/2022	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 31/01/2023
NON-EXECUTIVE DIRECTORS						
Mr R Gunston ¹	628,549	35,140	-	-	-	663,689
Mr D Manuel	349,191	33,419	-	-	-	382,610
Ms K Spargo	294,666	33,546	120,000	-	-	448,212
Ms C Bartlett	180,483	35,647	60,000	-	-	276,130
Mr M Sammells	74,985	50,398	-	-	-	125,383
Subtotal for Non-Executive Directors	1,527,874	188,150	180,000	-	-	1,896,024
EXECUTIVES						
Mr V Ramsunder	-	-	-	-	-	-
Mr J Sells ¹	3,782,695	406,193	-	-	-	4,188,888
Mr N Simonsz ²	-	-	-	-	-	-
Subtotal for Executives	3,782,695	406,193	-	-	-	4,188,888
TOTAL	5,310,569	594,343	180,000	-	-	6,084,912

¹ The number of shares at 31 January 2023 represent the balance at the date on which Mr R Gunston (5 July 2022) and Mr J Sells ceased to be a KMP on 11 April 2022.

² The number of shares at 1 February 2022 represent the balance at the date on which Mr N Simonsz became a KMP on 29 August 2022.

Remuneration Report

For the year ended 31 January 2024

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

2024	Number of Rights/Options at 01/02/2023	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 31/01/2024
NON-EXECUTIVE DIRECTORS					
Mr D Manuel ¹	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 ²	n/a	n/a	n/a	n/a	n/a
Ms A Carey ³	n/a	n/a	n/a	n/a	n/a
Mr N Mitchell ⁴	n/a	n/a	n/a	n/a	n/a
Dr C Roberts ⁵	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 V Ramsunder	13,144,450	3,352,745	(1,482,423)	-	15,014,772
Mr. M Conway ⁶	-	-	-	-	-
Mr N Simonsz ⁷	-	1,979,605	-	(1,979,605)	-
Subtotal for Executives	13,144,450	5,332,350	(1,482,423)	(1,979,605)	15,014,772
TOTAL	13,144,450	5,332,350	(1,482,423)	(1,979,605)	15,014,772

¹ Mr D Manuel ceased to be a KMP on 17 May 2023

² Ms C Bartlett ceased to be a KMP on 7 December 2023

³ Ms A Carey commenced as a KMP on 1 April 2023

⁴ Mr N Mitchell commenced as a KMP on 2 February 2023

⁵ Dr C Roberts commenced as a KMP on 6 October 2023

⁶ Mr M Conway commenced as a KMP on 30 October 2023

⁷ Mr N Simonsz ceased to be a KMP on 31 August 2023

Remuneration Report

For the year ended 31 January 2024

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

2023	Number of Rights/Options at 01/02/2022	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 31/01/2023
NON-EXECUTIVE DIRECTORS					
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 V Ramsunder	-	13,144,450	-	-	13,144,450
Mr J Sells ¹	5,236,564	2,471,999	(406,193)	-	7,302,370
Mr N Simonsz	-	-	-	-	-
Subtotal for Executives	5,236,564	15,616,449	(406,193)	-	20,446,820
TOTAL	5,236,564	15,616,449	(406,193)	-	20,446,820

¹ The number of rights at 31 January 2023 represent the balance at the date on which Mr J Sells ceased to be a KMP on 11 April 2022.

20 March 2024

The Board of Directors
Sigma Healthcare Limited
Level 6, 2125 Dandenong Road
Clayton VIC 3168

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 2024, 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

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner
Chartered Accountants

Consolidated statement of comprehensive income

For the year ended 31 January 2024

	Note	2024 \$'000	2023 \$'000
Sales revenue	2	3,322,058	3,660,240
Cost of goods sold		(3,103,916)	(3,405,832)
Gross profit		218,142	254,408
Other revenue	2	95,151	101,669
Other expense		-	(6,485)
Warehousing and delivery expenses		(134,557)	(161,596)
Sales and marketing expenses		(38,588)	(48,783)
Administration expenses		(88,622)	(82,616)
Impairment expense	3	-	(6,989)
Depreciation and amortisation	3	(28,323)	(30,336)
Profit before financing costs and tax expense (EBIT)		23,203	19,272
Finance income		1,724	597
Finance costs		(16,303)	(14,407)
Net finance costs		(14,579)	(13,810)
Profit before income tax		8,624	5,462
Income tax expense	4	(3,313)	(2,435)
Profit for the year after tax		5,311	3,027
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		12	(22)
Income tax relating to components of other comprehensive income		(4)	7
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in fair value of equity instruments	19	(530)	(1,555)
Income tax relating to components of other comprehensive income	4	159	467
Other comprehensive loss for the year (net of tax)		(363)	(1,103)
Total comprehensive income for the year		4,948	1,924
<i>Profit attributable to:</i>			
Owners of the Company		4,509	1,811
Non-controlling interest		802	1,216
Profit for the year		5,311	3,027
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		4,146	708
Non-controlling interest	21	802	1,216
Total comprehensive income for the year		4,948	1,924
		Cents per share	Cents per share
Earnings per share (cents) attributable to owners of the Company			
- Basic earnings per share	5	0.4	0.2
- Diluted earnings per share	5	0.4	0.2

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

Consolidated balance sheet

As at 31 January 2024

	Note	2024 \$'000	2023 \$'000
Current assets			
Cash and cash equivalents	31	356,496	16,650
Trade and other receivables	8	317,059	332,476
Inventories	9	221,129	324,851
Income tax receivable		2,906	4,974
Prepayments		8,206	6,897
Assets held for sale	15	6,704	-
Total current assets		912,500	685,848
Non-current assets			
Trade and other receivables	8	7,667	1,306
Property, plant and equipment	11	188,624	200,231
Goodwill and other intangible assets	12	110,253	118,243
Right-of-use assets	14b	83,152	90,692
Other financial assets	19	13,622	16,077
Net deferred tax assets	4	62,094	61,676
Total non-current assets		465,412	488,225
Total assets		1,377,912	1,174,073
Current liabilities			
Bank overdraft	18, 31	-	3,681
Trade and other payables	10	353,571	449,765
Lease liabilities	14a	9,789	9,263
Provisions	13	7,356	13,692
Deferred income		141	956
Liabilities held for sale	15	423	-
Total current liabilities		371,280	477,357
Non-current liabilities			
Borrowings	18	-	80,000
Lease liabilities	14a	126,842	134,041
Provisions	13	7,179	4,909
Total non-current liabilities		134,021	218,950
Total liabilities		505,301	696,307
Net assets		872,611	477,766
Equity			
Contributed equity	16	1,637,023	1,234,462
Reserves	17	2,923	3,043
Accumulated losses		(769,176)	(761,587)
Non-controlling interest	21	1,841	1,848
Total equity		872,611	477,766

The above consolidated balance sheet is to be read in conjunction with the accompanying notes to the consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 January 2024

	Note	Contributed equity		Reserves				Accumulated losses	Non-controlling interest	Total equity
		Issued capital	Treasury shares	Fair value reserve	Foreign currency translation reserve	Options / performance rights reserve	Employee share reserve			
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000			
Balance at 1 February 2022		1,286,144	(60,689)	(624)	238	1,377	1,876	(741,134)	1,590	488,778
Profit for the year		-	-	-	-	-	-	1,811	1,216	3,027
Other comprehensive loss		-	-	(1,088)	(15)	-	-	-	-	(1,103)
Total comprehensive income / (loss) for the year		-	-	(1,088)	(15)	-	-	1,811	1,216	1,924
Transactions with owners in their capacity as owners:										
Employee shares exercised	16(b)	-	1,352	-	-	-	-	-	-	1,352
Share-based remuneration plans		-	-	-	-	1,931	-	-	-	1,931
Dividends paid	6	-	-	-	-	-	584	(15,544)	(980)	(15,940)
Dividends applied to equity compensation plan		-	-	-	-	-	(301)	-	-	(301)
Reclassification of settled and expired share-based transactions		-	7,655	-	-	(156)	(779)	(6,720)	-	-
Derecognition of minority interest on disposal of a subsidiary		-	-	-	-	-	-	-	22	22
		-	9,007	-	-	1,775	(496)	(22,264)	(958)	(12,936)
Balance at 31 January 2023		1,286,144	(51,682)	(1,712)	223	3,152	1,380	(761,587)	1,848	477,766
Balance at 1 February 2023		1,286,144	(51,682)	(1,712)	223	3,152	1,380	(761,587)	1,848	477,766
Profit for the year		-	-	-	-	-	-	4,509	802	5,311
Other comprehensive income / (loss)		-	-	(371)	8	-	-	-	-	(363)
Total comprehensive income / (loss) for the year		-	-	(371)	8	-	-	4,509	802	4,948
Transactions with owners in their capacity as owners:										
Issue of share capital	16(a)	396,228	-	-	-	-	-	-	-	396,228
Employee shares exercised	16(b)	-	2,157	-	-	-	-	-	-	2,157
Share-based remuneration plans		-	-	-	-	2,623	-	-	-	2,623
Dividends paid	6	-	-	-	-	-	220	(10,201)	(809)	(10,790)
Dividends applied to equity compensation plan		-	-	-	-	-	(321)	-	-	(321)
Reclassification of settled and expired share-based transactions		-	4,176	-	-	(2,030)	(249)	(1,897)	-	-
		396,228	6,333	-	-	593	(350)	(12,098)	(809)	389,897
Balance at 31 January 2024		1,682,372	(45,349)	(2,083)	231	3,745	1,030	(769,176)	1,841	872,611

All items in the consolidated statement of changes in equity are net of tax.

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

Consolidated statement of cash flows

For the year ended 31 January 2024

	Note	2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers		3,747,603	4,167,892
Payments to suppliers and employees		(3,690,698)	(4,009,629)
Interest received		1,685	597
Interest paid		(16,954)	(13,135)
Income taxes refunded / (paid)		329	(9,740)
Net cash inflow from operating activities	31	41,965	135,985
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles		(4,718)	(29,399)
Proceeds from sale of a subsidiary, net of cash disposed		-	445
Proceeds from sales of financial assets		1,526	300
Proceeds from sale of property, plant and equipment		8,926	50
Net cash inflow / (outflow) from investing activities		5,734	(28,604)
Cash flows from financing activities			
Proceeds from issue of shares		394,281	-
Proceeds from borrowings	31	725,000	385,000
Repayment of borrowings	31	(805,000)	(470,000)
Repayment of principal component of lease liabilities	14a	(9,502)	(10,127)
Proceeds from employee shares exercised		1,836	879
Dividends paid – Sigma		(9,981)	(14,960)
Dividends paid – non-controlling interests	6, 21	(809)	(980)
Net cash inflow / (outflow) from financing activities		295,825	(110,188)
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents held at the beginning of the financial year		12,969	15,770
Effects of exchange rate changes on cash and cash equivalents		3	6
Net cash and cash equivalents at the end of the financial year ¹	31	356,496	12,969

¹ Net cash and cash equivalents include 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 consolidated financial statements.

Notes to the consolidated financial statements: About this report

For the year ended 31 January 2024

About this report

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

Sigma Healthcare Limited (the "Company") is a for-profit company incorporated and domiciled in Australia. The financial report was authorised for issue by the Directors on 20 March 2024.

Basis of preparation

The consolidated financial statements are general purpose financial statements that:

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

Going concern

The Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue the normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

Formal credit approval for the upsizing and extension to the Company's debt facility was obtained at the time of approving the consolidated financial statements. The Board has approved the upsizing and extension of the key terms including price and tenor, subject to formal execution. The new facility further supports the company's working capital requirements in the ordinary course of business and becomes effective from the later of 1 April 2024 and the date of execution. The debt facility increases from \$250 million to \$500 million with maturity in November 2026. Refer Note 18 Borrowings.

Material 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 consolidated 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 has power over the investee, 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 22 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 consolidated financial statements.

Inventory provision

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of standard 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.

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

Significant changes in the current reporting period

The introduction of new accounting standards did not lead to any material change in measurement or disclosure in these financial statements. Refer to Note 32 for details of other new accounting standards and interpretations, as well as standards issued but not yet effective.

Notes to the consolidated financial statements: About this report

For the year ended 31 January 2024

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
Recognition of deferred tax assets	4
Carrying value of receivables	8
Carrying value of inventory	9
Depreciation of property, plant and equipment	11
Impairment of goodwill and other intangible assets	12
Classification of assets and liabilities held for sale	15

Restatement of comparative information

Certain amounts in the comparative financial year ended have been reclassified to conform to the current financial year disclosure.

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

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

Information on 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 17 to 42. For the year ended 31 January 2024, 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, Sigma Healthcare Logistics (*formerly Central Healthcare Services*), NostraData, and Medication Packaging Systems Australia (MPS) within the Healthcare segment. Sigma, NostraData and MPS are separate cash generating units for impairment testing purposes.

Segment information provided to the CODM

The CODM primarily uses Net Profit After Tax (attributable to owners of the company), EBITDA and EBIT to assess the operating performance of the business.

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

One customer group contributed revenues which forms 33% of the Group revenues (2023: 29%). Sales revenue for the financial year ended to 31 January 2024 was \$1,098.9 million (2023: \$1,068.7 million).

2. Sales and other revenue

	2024 \$'000	2023 \$'000
Sales revenue	3,322,058	3,660,240
Other revenue		
Commissions and fees	41,567	50,219
Membership revenue	12,141	16,005
Marketing services and promotional revenue	30,060	34,778
Sundry revenue	11,383	667
Total other revenue	95,151	101,669

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 sales revenue and other revenue is consistent with the segment reporting (refer to Note 1) as the Group has one reportable segment.

For each revenue stream, the Group has assessed the recognition of revenue, including the timing, 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.

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

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 (including customer rebates and discounts) and a provision for returns.	Delivery of goods 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, and packaging fees.	Completion of services to be provided	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	(i) Revenue from other services provided, including provision of data and other licencing fees; (ii) Sale of assets	(i) Completion of the service requirements; (ii) Transfer of assets to buyer	(i) Over time; (ii) Point in 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.

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

3. Expenses

	Note	2024 \$'000	2023 \$'000
Profit before tax includes the following specific expenses:			
Employee benefits expense		134,731	155,999
Defined contribution plans		7,940	7,957
Employee share-based payments expense	30	2,754	1,931
Total employee benefits expense		145,425	165,887
Amortisation – brand names	12	484	482
Amortisation – software	12	3,353	3,307
Depreciation – buildings	11	1,769	1,043
Depreciation – plant and equipment	11	12,122	14,010
Depreciation – right-of-use assets	14c	10,595	11,494
Total depreciation and amortisation		28,323	30,336
Write down of inventories to net realisable value		4,885	32,841
Net impairment (reversal) on trade debtors		(2,879)	(1,049)
Impairment loss – goodwill ¹	12	-	6,989

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 for details on provisions for employee benefits and Note 30 for 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 of 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.

⁽¹⁾ Impairment loss - goodwill

Following a review of market conditions, including inflation and interest rates expectations during the half year period in FY23, Sigma adjusted discount rates and reduced forecast growth rates and cash flows across the MPS Cash Generating Unit (CGU), resulting in an impairment charge being recorded at the half year period in FY23. The Group recognised an impairment to the carrying value of the MPS CGU of \$7.0 million. The decrease in the estimated recoverable amount reflected the cessation of contractual services to the Cura business services agreement. These factors, together with uncertainties surrounding future growth rates, contributed to a lower estimation of future cash flows attributable to this CGU resulting in the impairment charge as recorded in 1H23. Refer Note 12.

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

4. Taxation

	2024 \$'000	2023 \$'000
(a) Income tax expense		
Current tax	1,120	5,563
Deferred tax	1,570	(2,395)
Adjustments for current income tax of prior periods	623	(733)
Total income tax expense	3,313	2,435
(b) Numerical reconciliation of income tax expense to prima facie tax payable:		
Profit before income tax	8,624	5,462
Tax at the Australian company tax rate of 30% (2023: 30%)	2,587	1,639
Tax effect of differential corporate tax rates	(6)	63
<i>Tax effect of amounts which are not deductible in calculating taxable income:</i>		
Tax effect of income not taxable in determining taxable profit	(3,205)	(90)
Tax effect of expenses that are not deductible in determining taxable profit	2,512	3,516
Tax effect of dividends and imputed tax	653	162
Tax effect of change in capital losses recorded	509	(1,882)
Other items	(47)	(104)
Amounts under / (over) provided in prior periods	310	(869)
Total income tax expense	3,313	2,435
(c) Amounts recognised directly in equity		
Net change in fair value of financial asset	(159)	(467)
Exchange differences on translation of foreign operations	2	(7)
Deferred tax impact arising from equity transaction cost	(1,947)	-
Total amounts recognised directly in equity	(2,104)	(474)
(d) Deferred tax		
Trade and other receivables	4,298	4,939
Inventories	4,883	10,514
Trade and other payables and accruals	4,421	4,528
Provisions for employee benefits	3,435	4,269
Intangible assets	(99)	(148)
Property, plant and equipment	13,374	17,368
Right-of-use assets and lease liabilities	17,371	16,776
Capital losses	2,527	3,036
Revenue losses	10,150	-
Other	1,734	394
Net deferred tax assets	62,094	61,676
Deferred tax assets	88,315	89,212
Deferred tax liabilities	(26,221)	(27,536)
Net deferred tax assets	62,094	61,676
Balance at the beginning of the year	61,676	58,617
Amount credited to profit and loss	(11,212)	2,395
Amount credited to other comprehensive income	157	474
Amount credited to equity	1,947	-
Under provision in prior year	-	(136)
Transfer to non-current assets held for sale	(115)	-
Tax losses utilised	(509)	-
Tax losses recognised within deferred tax assets	10,150	-
Other	-	326
Balance at the end of the year	62,094	61,676

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

4. Taxation (continued)

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. The Company's transactions costs relating to the capital raise were recognised as a deduction from equity as these were assessed as incremental costs directly attributable to the equity transaction.

Unrecognised deferred tax losses

Deferred tax assets have not been recognised in respect of capital losses of \$191,490,750 tax effected (2023: \$194,983,811) 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. Capital losses were utilised in the current year to fully offset the capital gains derived from the divestment of the Hospitals business in addition to the sale of other investments in non-core assets.

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.

The Proposed Merger is subject to a number of conditions including regulatory approval, approval by the directors and shareholders of both companies, and court approval of the scheme in accordance with the Corporations Act 2001 (Cth). The Australian Competition and Consumer Commission ("ACCC") submission was completed and lodged on 16 February 2024. Formal public consultation commenced on 8 March 2024 seeking input from interested parties. There will be a wide consultation process which adds to the complexity of predicting timeframes. At the issue date of this annual report, the Proposed Merger is undergoing ACCC review and therefore has no impact to the existing structure of the Group. The expected completion date is contingent on several conditions, including, but not limited to, the outcome of the ACCC review and regulatory, CWG and Sigma shareholder approval processes. Judgement is required in assessing the continued recognition of the \$10.15 million revenue losses in deferred tax assets beyond 31 January 2024, which management believes will be utilised in FY25 based on the forecasted cash flows and sufficiency and probability of future taxable profits. Should completion occur before 1 February 2025, this would result in derecognition of a portion of the deferred tax assets that relate to revenue losses on the basis of being irrecoverable, with a corresponding charge to income tax expense for the unutilised balance at the time of re-assessment.

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 22 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 consolidated financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

5. Earnings per share

	2024	2023
(a) Basic and diluted earnings per share	Cents per share	Cents per share
Basic earnings per share	0.4	0.2
Diluted earnings per share	0.4	0.2
(b) Reconciliation of earnings used in calculating basic and diluted earnings per share	\$'000	\$'000
Profit attributable to owners of the Company	4,509	1,811
(c) Weighted average number of shares used as the denominator	No '000	No '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	1,024,448	990,392
<i>Adjustments for calculation of diluted earnings per share:</i>		
Performance rights / options	34,377	21,459
Effect of shares held under Sigma Employee Share Plan	4,490	3,250
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	1,063,315	1,015,101

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 30 and in the Remuneration Report.

Notes to the consolidated financial statements: Financial performance

For the year ended 31 January 2024

6. Dividends

	2024		2023	
	Cents per share	\$'000	Cents per share	\$'000
Recognised amounts				
Final dividend – prior year	0.5	5,296	1.0	10,593
Interim dividend – current year	0.5	5,296	0.5	5,296
Dividends recognised by the parent entity		10,592		15,889
Less: dividends paid on the shares held by Sigma Employee Share Plan		(391)		(345)
Less: dividends paid on the shares issued under the Sigma Employee Share Plan		(220)		(584)
Dividends recognised by non-controlling interests		809		980
Dividends paid by the Group		10,790		15,940

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.

	2024	2023
	\$'000	\$'000
Dividend franking account		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2023: 30%)	2,031	1,990

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 2024, the following events and transactions have occurred:

Dividend

Since the end of the year, the Directors have resolved to pay a 50% partially franked final dividend of 0.5 cent per share. Accordingly, this dividend is not provided for in the balance sheet at 31 January 2024. The ex-dividend date is 28 March 2024, the record date is 2 April 2024 and it is expected to be payable on 17 April 2024. The total amount expected to be payable is \$8.2 million.

Proposed Merger

On 11 December 2023, the Group announced the signing of a MIA to merge with CW Group Holdings Limited (CWG or Chemist Warehouse Group) to create a leading healthcare wholesaler, distributor and retail pharmacy franchisor, referred to as the "Proposed Merger." The Proposed Merger is subject to a number of conditions including regulatory approval, approval by the directors and shareholders of both companies, and court approval of the scheme in accordance with the Corporations Act 2001 (Cth). The Australian Competition and Consumer Commission ("ACCC") submission was completed and lodged on 16 February 2024. Formal public consultation commenced on 8 March 2024 seeking input from interested parties. There will be a wide consultation process which adds to the complexity of predicting timeframes. At the issue date of this annual report, the Proposed Merger is undergoing ACCC review and therefore has no impact to the existing structure of the Group. The expected completion date is contingent on several conditions, including, but not limited to, the outcome of the ACCC review and regulatory, CWG and Sigma shareholder approval processes.

Debt facility

Subsequent to the end of the financial year, Sigma obtained formal credit approval from its existing financier for the upsizing and extension of its Receivables Purchase Agreement debt facility. The Board has approved the upsizing and extension of the key terms including price and tenor, subject to formal execution. The renewal of the debt facility is effective from the later of 1 April 2024 and the date of execution and extends the tenor by a further one year, with expiration in November 2026. Additionally, the extension increases the debt facility from the current \$250 million to \$500 million. We anticipate retaining higher levels of liquidity than our long-term average to support working capital requirements for the new CWG supply contract commencing in July 2024, and to provide capacity to respond to strategic growth opportunities.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 January 2024 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: Operating assets and liabilities

For the year ended 31 January 2024

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	15. Non-current assets and liabilities held for sale

8. Trade and other receivables

	2024 \$'000	2023 \$'000
Current		
Trade receivables	304,181	325,574
Provision for expected credit losses	(9,307)	(14,404)
Other receivables	22,185	21,306
Total current receivables	317,059	332,476
Non-current		
Other loans receivable	7,667	1,306
Total non-current receivables	7,667	1,306
Movements in the provision for expected credit losses:		
Carrying value at the beginning of the year	(14,404)	(25,267)
Provision released during the year	2,879	1,048
Receivables written off during the year as uncollectible	2,218	9,815
Carrying value at the end of the year	(9,307)	(14,404)

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 (2023: 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 trade receivables with significant balances and/or are credit impaired, these are assessed for ECL on an individual basis. There has been no change in the estimation techniques during the current reporting period.

For information on the Group's credit risk management refer to Note 19.

	Not due \$'000	0-30 days \$'000	31-60 days \$'000	60+ days \$'000	Total \$'000
2024					
Expected loss rate	1.50%	13.23%	17.82%	59.48%	3.06%
Gross carrying amount of trade receivables	288,765	6,614	2,750	6,052	304,181
Provision for expected credit losses	4,342	875	490	3,600	9,307
2023					
Expected loss rate	1.98%	16.28%	39.60%	47.94%	4.42%
Gross carrying amount of trade receivables	301,441	8,936	3,833	11,364	325,574
Provision for expected credit losses	5,983	1,455	1,518	5,448	14,404

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

9. Inventories

	2024 \$'000	2023 \$'000
At Cost		
Finished goods	237,408	359,898
Provision for obsolescence	(16,279)	(35,047)
Net inventories	221,129	324,851

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of standard cost. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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

	2024 \$'000	2023 \$'000
Current		
Trade payables	303,356	406,012
Other payables and accruals	50,215	43,753
Total current payables	353,571	449,765

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 19.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

11. Property, plant and equipment

	Note	Land and buildings \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
At 1 February 2022					
Cost		99,761	162,035	2,034	263,830
Accumulated depreciation		(3,923)	(66,670)	-	(70,593)
Net book amount		95,838	95,365	2,034	193,237
Year ended 31 January 2023					
Opening net book amount		95,838	95,365	2,034	193,237
Additions		-	1,443	26,584	28,027
Transfers		10,034	18,584	(28,618)	-
Disposals		-	(5,980)	-	(5,980)
Depreciation	3	(1,043)	(14,010)	-	(15,053)
Closing net book amount		104,829	95,402	-	200,231
At 31 January 2023					
Cost		109,771	144,125	-	253,896
Accumulated depreciation		(4,942)	(48,723)	-	(53,665)
Net book amount		104,829	95,402	-	200,231
Year ended 31 January 2024					
Opening net book amount		104,829	95,402	-	200,231
Additions		355	965	1,146	2,466
Disposals		(5)	-	-	(5)
Depreciation	3	(1,769)	(12,122)	-	(13,891)
Transfer to non-current assets held for sale		-	(177)	-	(177)
Closing net book amount		103,410	84,068	1,146	188,624
At 31 January 2024					
Cost		110,122	144,348	1,146	255,616
Accumulated depreciation		(6,712)	(60,280)	-	(66,992)
Net book amount		103,410	84,068	1,146	188,624

Capital work in progress

The costs remain in work in progress during the construction phase and transferred to the property, plant and equipment asset class when the item is considered ready for their intended use and then depreciated over their expected useful lives as noted below.

Recognition and measurement

Property, plant and equipment is recorded at cost less accumulated depreciation and impairment (if any). 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 (CGU).

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

12. Goodwill and other intangible assets

	Note	Goodwill \$'000	Brand names \$'000	Software intangibles \$'000	Other intangibles \$'000	Work in progress \$'000	Total \$'000
At 1 February 2022							
Cost		102,960	25,681	34,553	940	1,594	165,728
Accumulated amortisation		-	(14,017)	(22,721)	(940)	-	(37,678)
Net book amount		102,960	11,664	11,832	-	1,594	128,050
Year ended 31 January 2023							
Opening net book amount		102,960	11,664	11,832	-	1,594	128,050
Additions		-	-	1,184	-	566	1,750
Transfers		-	-	2,038	-	(2,038)	-
Foreign currency movements		-	(16)	-	-	-	(16)
Impairment loss	3	(6,989)	-	-	-	-	(6,989)
Disposals		(750)	-	(13)	-	-	(763)
Amortisation	3	-	(482)	(3,307)	-	-	(3,789)
Closing net book amount		95,221	11,166	11,734	-	122	118,243
At 31 January 2023							
Cost		95,221	25,543	34,575	940	122	156,401
Accumulated amortisation		-	(14,377)	(22,841)	(940)	-	(38,158)
Net book amount		95,221	11,166	11,734	-	122	118,243
Year ended 31 January 2024							
Opening net book amount		95,221	11,166	11,734	-	122	118,243
Additions		-	-	933	-	1,319	2,252
Transfers		-	-	250	-	(250)	-
Foreign currency movements		-	7	-	-	-	7
Amortisation	3	-	(484)	(3,353)	-	-	(3,837)
Transfer to non-current assets held for sale	15	(6,157)	(255)	-	-	-	(6,412)
Closing net book amount		89,064	10,434	9,564	-	1,191	110,253
At 31 January 2024							
Cost		89,064	25,291	34,552	940	1,191	151,038
Accumulated amortisation		-	(14,857)	(24,988)	(940)	-	(40,785)
Net book amount		89,064	10,434	9,564	-	1,191	110,253

Capital work in progress

The costs remain in work in progress during the development phase and transferred to computer software when the item is considered ready for their intended use and then amortised over their expected useful lives as noted below.

Other intangibles consist of customer relationships and supplier contracts.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

12. Goodwill and other intangible assets (continued)

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 goodwill, intangible assets and non-current 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.

The Group recognised the following non-cash impairment expense related to non-current assets:

	2024	2023
	\$'000	\$'000
Impairment of goodwill - MPS	-	6,989
Total impairment expense	-	6,989

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

12. Goodwill and other intangible assets (continued)

Impairment testing of goodwill

Goodwill is tested for impairment annually, or more frequently when indicators of impairment are identified. In testing for impairment, the carrying amount of each Cash Generating Unit (CGU) is compared against the recoverable amount.

For the Sigma and MPS CGUs, the recoverable amount has been calculated based on the value in use, using a discounted cash flow (DCF) approach. The DCF uses post-tax cash flow projections based on the most recent one year approved budget and two years financial forecasts, with the remaining two years extrapolated using a growth rate and is discounted at an appropriate after-tax discount rate, taking into account the Group's weighted average cost of capital adjusted for any risks specific to the CGU.

Terminal growth rates applied in the DCF are based on estimates of long-term inflation, GDP growth in the country in which the CGU primarily operates and estimates of long-term performance of each CGU.

For the Nostra CGU tested, the recoverable amount has been calculated based on the Fair Value Less Cost of Disposal (FVLCD) as this represents the higher amount between the two methods allowed for determining the recoverable amount.

The allocation of goodwill to each CGU and assumptions applied in calculating the recoverable amounts of the goodwill in testing for impairment include:

Cash generating unit	Allocated Goodwill		Post-Tax Discount Rates		Long-Term Growth Rates	
	2024	2023	2024 ⁽²⁾	2023 ⁽²⁾	2024	2023
	\$'000	\$'000	%	%	%	%
Sigma	85,294	85,294	8.2%	8.5%	2.5%	3.0%
NostraData	6,157	6,157	8.8%	7.4%	2.5%	2.5%
Medical Packing Systems (MPS) ⁽¹⁾	3,770	3,770	8.8%	9.3%	2.5%	2.5%

(1) Goodwill impairment recognised at the half year ended 31 July 2022 for Cura.

(2) A change to the methodology of calculating beta for the purposes of the discount rate was adopted.

Significant estimates made

The cash flow projections used in the impairment test are made with consideration to other available information and estimations including past and actual performance to date, assumptions around future performance and expected revenue and cost growth.

Reasonably possible change sensitivity

The Sigma CGU impairment test is most sensitive to assumptions in the future gross margin growth rates and terminal value. The value in use model assumes that the gross profit margin will increase from that achieved in 2024 over the forecast period. The cash flows in the budget includes a number of planned initiatives and efficiency savings which are forecast to be margin accretive. If the higher margin rate is not achieved or if operational efficiencies are not sustained, the resulting reduction in margins would reduce the recoverable amount in relation to the goodwill allocated to the Sigma CGU. Further, assumptions have been adopted around the ongoing relationship with a key customer group extending into perpetuity. If the contract is not extended at time of renewal or if renewed at less favourable terms this could present a risk in reducing the recoverable amount in future.

Specifically for the Sigma CGU, the value in use model results in a headroom of \$464 million. The following impacts may arise from reasonably possible changes in critical assumptions:

- The value in use model assumed that between 2025 and 2029, the business achieves a margin compound annual growth rate (CAGR) of at least 11.1%. In the event margin growth in the period reduces below 6.5% CAGR and costs are unchanged, an impairment of the goodwill allocated to the Sigma CGU may be required.
- The value in use model assumes a post-tax discount rate of 8.2%. In the event that the post-tax discount rate increases above 11.7%, an impairment of the goodwill allocated to the Sigma CGU may be required.

The MPS CGU impairment test is most sensitive to assumptions in the future revenue growth rates and increasing margins. The value in use model assumes that the rate of revenue growth will increase from that achieved in 2024 over the forecast period. The cash flows in the budget includes a number of planned initiatives and productivity improvements which are forecast to increase revenue. If the higher revenue growth rate is not achieved or if improvements in productivity output are not realised and expenses continue at forecast levels, the resulting reduction in margins would reduce the recoverable amount in relation to the goodwill allocated to the MPS CGU.

Specifically for the MPS CGU, the value in use model results in a headroom of \$17.1 million. The following impacts may arise from reasonably possible changes in critical assumptions:

- The value in use model assumed that between 2025 and 2029, the business achieves an other income compound annual growth rate (CAGR) of at least 4.0%. In the event other income growth in the period reduces below 2.2% CAGR and costs are unchanged, an impairment of the goodwill allocated to the MPS CGU may be required.
- The value in use model assumes a post-tax discount rate of 8.8%. In the event that the post-tax discount rate increases above 14.1%, an impairment of the goodwill allocated to the MPS CGU may be required.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

13. Provisions and contingencies

Provisions

	2024 \$'000	2023 \$'000
Current		
Employee benefits	7,028	10,999
Redundancy	166	654
Other	162	2,039
Total current provisions	7,356	13,692
Non-current		
Employee benefits	2,756	786
Lease make good	4,423	4,123
Total non-current provisions	7,179	4,909

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.

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.

Redundancy

Redundancy provisions are recognised at the point when a detailed plan for the restructure has been developed and implementation has commenced. The cost of redundancy provided is the estimated future cash flows, discounted at the appropriate rate which reflects the risks of the cash flow.

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of a current employee according to a detailed formal plan without possibility of withdrawal or upon the provision of an offer to encourage voluntary redundancy.

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.

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.

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

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.

(a) Lease liabilities

The table below shows the movement in the Group's lease liabilities for the year:

	2024	2023
	\$'000	\$'000
Movement:		
Carrying amount of lease liabilities at start of period	143,304	143,057
Additions	2,925	18,851
Disposals	(96)	(8,477)
Interest expense	6,868	6,753
Payments for the interest component of lease liabilities	(6,868)	(6,753)
Repayment of the principal component of lease liabilities	(9,502)	(10,127)
Carrying amount of lease liabilities at end of period	136,631	143,304
Current lease liabilities	9,789	9,263
Non-current lease liabilities	126,842	134,041
Carrying amount of lease liabilities at end of period	136,631	143,304

Maturity table for lease liabilities:

	2024	2023
	\$'000	\$'000
Lease liabilities payable:		
Within one year	15,852	15,917
Within a period of more than one year but not exceeding two years	14,966	15,304
Within a period of more than two years but not exceeding five years	43,997	42,867
Within a period of more than five years	111,369	125,260
	186,184	199,348
Less: unearned interest	(49,553)	(56,044)
	136,631	143,304

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

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 2022			
Cost	93,042	4,609	97,651
Accumulated depreciation	(7,932)	(1,392)	(9,324)
Net book amount	85,110	3,217	88,327
Year ended 31 January 2023			
Opening net book amount	85,110	3,217	88,327
Additions	17,484	1,671	19,155
Disposals	(5,225)	(71)	(5,296)
Depreciation	(9,261)	(2,233)	(11,494)
Closing net book amount	88,108	2,584	90,692
At 31 January 2023			
Cost	103,930	6,066	109,996
Accumulated depreciation	(15,822)	(3,482)	(19,304)
Net book amount	88,108	2,584	90,692
At 31 January 2023			
Cost	103,930	6,066	109,996
Accumulated depreciation	(15,822)	(3,482)	(19,304)
Net book amount	88,108	2,584	90,692
Year ended 31 January 2024			
Opening net book amount	88,108	2,584	90,692
Additions	2,821	340	3,161
Disposals	(97)	(9)	(106)
Depreciation	(9,292)	(1,303)	(10,595)
Closing net book amount	81,540	1,612	83,152
At 31 January 2024			
Cost	101,734	5,774	107,508
Accumulated depreciation	(20,194)	(4,162)	(24,356)
Net book amount	81,540	1,612	83,152

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

14. Right-of-use assets and lease liabilities (continued)

(c) Amounts recognised in the consolidated statement of comprehensive income

	Note	2024 \$'000	2023 \$'000
Depreciation expense on right-of-use assets	3	10,595	11,494
Interest expense on lease liabilities		6,868	6,753
Operating expenses on leases		1,785	1,690

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*.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

14. Right-of-use assets and lease liabilities (continued)

(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 liabilities

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.

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.

Notes to the consolidated financial statements: Operating assets and liabilities

For the year ended 31 January 2024

15. Assets and liabilities held for sale

	2024 \$'000	2023 \$'000
Goodwill and other intangible assets	6,412	-
Property, plant and equipment	177	-
Net deferred tax assets	115	-
Assets held for sale	6,704	-
Provisions	423	-
Liabilities held for sale	423	-

The Group is currently engaged in a sale process for certain non-core assets. This qualifies certain assets and associated liabilities to be reclassified as held for sale in the consolidated statement of financial position. On 6 June 2023, the Company entered into a binding term sheet for the right but not obligation for certain assets to be divested, conditional upon certain conditions being met. Therefore, the value of the assets and liabilities associated with those assets (referred to as a disposal group), have been classified as held for sale. The table above aggregates financial information for the non-core assets, which are individually immaterial to the Group. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The information disclosed reflects the amounts presented in the financial report of those relevant entities.

Notes to the consolidated financial statements: Capital structure and financing

For the year ended 31 January 2024

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.	
16. Contributed equity	18. Borrowings
17. Reserves	19. Financial risk management

16. Contributed equity

	2024 \$'000	2023 \$'000
Issued capital:		
Ordinary shares fully paid	1,682,372	1,286,144
Issued capital held by equity compensation plan:		
Treasury shares	(45,349)	(51,682)
Total contributed capital	1,637,023	1,234,462

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 2022	1,059,276,416	1,286,144
Shares bought on market	-	-
Balance at 31 January 2023	1,059,276,416	1,286,144
Issued during the year	572,589,719	396,228
Balance at 31 January 2024	1,631,866,135	1,682,372

(b) Movements in treasury share capital

	No. of Shares	\$'000
Balance at 1 February 2022	(70,537,274)	(60,689)
Employee shares exercised	3,747,269	1,352
Reclassification of settled and expired share-based transactions	-	7,655
Balance at 31 January 2023	(66,790,005)	(51,682)
Employee shares exercised	5,495,862	2,157
Reclassification of settled and expired share-based transactions	-	4,176
Balance at 31 January 2024	(61,294,143)	(45,349)

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.

Notes to the consolidated financial statements: Capital structure and financing

For the year ended 31 January 2024

17. Reserves

	2024 \$'000	2023 \$'000
Reserves:		
Fair value reserve	(2,083)	(1,712)
Foreign currency translation reserve	231	223
Options / performance rights reserve	3,745	3,152
Employee share reserve	1,030	1,380
Total	2,923	3,043

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 30. The reserve will reverse against share capital held by the equity compensation plan when the shares vest.

Notes to the consolidated financial statements: Capital structure and financing

For the year ended 31 January 2024

18. Borrowings

	2024 \$'000	2023 \$'000
Current		
Secured bank overdraft	-	3,681
Total current borrowings	-	3,681
Non-current		
Secured cash advance facilities	-	80,000
Total non-current borrowings	-	80,000

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. At the 31 January 2024 the Group did not have borrowings and all debt was repaid. Working capital is currently being funded by surplus cash and cash equivalents as shown in Note 31.

Credit facilities

The Group maintains the following credit facilities:

	2024		2023	
	Total facility \$'000	Unused \$'000	Total facility \$'000	Unused \$'000
Secured bank overdraft facility (Tranche A)	135,000	135,000	135,000	131,319
Secured cash advance facilities (Tranche B)	115,000	115,000	115,000	35,000
Corporate credit card	1,500	1,265	1,500	1,308

Westpac debt facility (Receivables Purchase Facility)

As at 31 January 2024, the Company has a debt facility with the Westpac Banking Corporation (Westpac), which includes:

- Tranche A – an overdraft facility of \$135 million. This expires 19 November 2025.
- Tranche B – a cash advance facility of \$115 million. This expires 19 November 2025.

Tranche A and Tranche B are secured using eligible trade receivables of Sigma Healthcare Limited and Sigma Healthcare Logistics 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.

Subsequent to the end of the financial year, Sigma obtained formal credit approval from its existing financier for the upsizing and extension of its Receivables Purchase Agreement debt facility. The Board has approved the upsizing and extension of the key terms including price and tenor, subject to formal execution. The renewal of the debt facility is effective from the later of 1 April 2024 and the date of execution and extends the tenor by a further one year, with expiration in November 2026. Additionally, the extension increases the debt facility from the current \$250 million to \$500 million.

Borrowing costs capitalised

The amount of borrowing costs capitalised for the year ended 31 January 2024 relating to the borrowings was nil (2023: \$750,833). The interest rate applicable to the debt facilities is variable, and Sigma does not hedge the interest rate. The costs associated with the debt facilities are recorded in "finance costs" in the consolidated statement of comprehensive income.

Debtor securitisation programme (Sigma Rewards Facility)

The Group operates a debtor securitisation programme. This programme allows the Group to receive cash in advance. At the point of receiving cash, the debtors are derecognised by the Group due to the fact that substantially all the risks and rewards of ownership of debtors within the programme are transferred to a third party. The costs associated with this programme are recorded in "sales and marketing expenses" in the consolidated statement of comprehensive income. The facility expires 19 November 2025 and has a limit of \$15 million, with \$9.8 million utilised as at 31 January 2024.

Notes to the consolidated financial statements: Capital structure and financing

For the year ended 31 January 2024

19. 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:

	2024 \$'000	2023 \$'000
Financial assets		
Cash and cash equivalents	356,496	16,650
Trade and other receivables	324,726	333,782
Other financial assets	13,622	16,077
Total financial assets	694,844	366,509
Financial liabilities		
Trade and other payables	353,571	449,765
Borrowings	-	83,681
Lease liabilities	136,631	143,304
Total financial liabilities	490,202	676,750

(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.

(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 2024 (2023: 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 2024				31 January 2023			
	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	356,496	4.34%	(3,565)	3,565	16,650	0.10%	(167)	167
Borrowings – secured	-	-	-	-	(83,681)	2.53%	837	(837)
Total (decrease) / increase			(3,565)	3,565			670	(670)

Notes to the consolidated financial statements: Capital structure and financing

For the year ended 31 January 2024

19. Financial risk management (continued)

(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 2024			31 January 2023		
	Balance \$'000	-10% Equity \$'000	+10% Equity \$'000	Balance \$'000	-10% Equity \$'000	+10% Equity \$'000
Other financial assets						
Investments – active market (Level 1)	3,673	(367)	367	4,203	(420)	420
Investments – other observable input (Level 2)	-	-	-	-	-	-
Investments – non-traded (Level 3)	9,949	(995)	995	11,874	(1,187)	1,187

(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 18. The weighted average term to maturity of committed bank facilities and rolling cash flow forecasts are periodically provided to management and the Board. As at 31 January 2024, predominantly all the Group's financial assets and liabilities are due within the next twelve months, except for the Group's debt facility which matures on 19 November 2025. However, subsequent to the end of the financial year, Sigma obtained formal credit approval from its existing financier for the upsizing and extension of its Receivables Purchase Agreement debt facility. The Board has approved the upsizing and extension of the key terms including price and tenor, subject to formal execution. The renewal of the debt facility is effective from the later of 1 April 2024 and the date of execution and extends the tenor by a further one year, with expiration in November 2026. The extension increases the debt facility from the current \$250 million to \$500 million, as disclosed in Note 18.

(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 considers 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:

Notes to the consolidated financial statements: Capital structure and financing

For the year ended 31 January 2024

19. Financial risk management (continued)

- 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.

The Group currently holds Level 3 financial assets designated at FVOCI. The fair value of financial assets designated as FVOCI is calculated based on the latest available valuation inputs at each reporting date, including unlisted equity investee's financial information and recent transactions.

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.

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 2023	4,203	-	11,874	16,077
Disposals / transfers	-	-	(1,925)	(1,925)
Movements in fair value – gain / (loss)	(530)	-	-	(530)
Balance at 31 January 2024	3,673	-	9,949	13,622

Notes to the consolidated financial statements: Group structure

For the year ended 31 January 2024

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.

- | | |
|------------------------------------|--|
| 20. Business acquisitions | 23. Related party disclosures |
| 21. Non-controlling interest | 24. Parent company financial information |
| 22. Details of controlled entities | 25. Deed of cross guarantee |

20. 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.

21. Non-controlling interest

	2024 \$'000	2023 \$'000
Non-controlling interest		
Balance at beginning of the year	1,848	1,590
Share of profit for the year	802	1,216
Dividends paid	(809)	(980)
Derecognition of minority interest on disposal of a subsidiary	-	22
Total	1,841	1,848

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.

Notes to the consolidated financial statements: Group structure

For the year ended 31 January 2024

22. Details of controlled entities

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

	Country of incorporation	Ownership interest	
		2024 %	2023 %
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
Sigma Healthcare Logistics Pty Ltd ^{a,c,d}	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
MPS Hold Co. Pty Ltd ^{a,c}	Australia	100	100
Medical Industries Australia Hold Co. Pty Ltd ^{a,c}	Australia	100	100
Crucible Health Pty Ltd ^{a,c}	Australia	100	100
Sigma Healthcare Hospital Services Pty Ltd ^{a,c}	Australia	100	100
Tromax Pty Ltd ^{a,c}	Australia	100	100
ACN 133 432 096 Pty Ltd ^a	Australia	100	100

^a These wholly owned companies are subject to a deed of cross guarantee (see Note 25).

^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 Sigma Healthcare Logistics Pty Ltd (formerly Central Healthcare Services Pty Ltd).

23. 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 22. 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 29 and in the Remuneration Report.

Other transactions with Directors

Mr D Manuel (resigned on 17 May 2023) 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 up until his resignation was \$2,997,848 incl. GST (31 January 2023: \$9,702,903). The amounts receivable as of 17 May 2023 from Mr Manuel and his Director-related entities included within trade debtors was \$1,741,301. As at 31 January 2024, the amounts receivable from Directors or Director-related entities included within trade debtors in Note 8 was nil (31 January 2023: \$1,378,085). Amounts receivable from Directors or Director-related entities are subject to the Group's normal trading terms and conditions.

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

Notes to the consolidated financial statements: Group structure

For the year ended 31 January 2024

24. Parent company financial information

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

	2024 \$'000	2023 \$'000
Balance sheet		
Current assets	319,697	169,379
Non-current assets	375,633	363,762
Total assets	695,330	533,141
Current liabilities	12,843	242,441
Total liabilities	12,843	242,441
Net assets	682,487	290,700
Equity		
Issued capital	677,739	281,511
Reserves	1,941	1,314
Accumulated profit	2,807	7,875
Total equity	682,487	290,700
Financial performance		
Profit / (loss) for the year	4,872	(3,275)
Total comprehensive income / (loss) for the year	4,872	(3,275)

(a) Guarantees entered into by parent entity

The parent entity has provided financial guarantees in respect of the total debt facility (Note 18). As at 31 January 2024, the balance drawn from the total facility is nil (2023: \$83,681,000). 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 22). 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 2024 was \$363,511,000 (2023: \$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 (2023: 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 2024 (2023: 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 2024 (2023: nil).

Notes to the consolidated financial statements: Group structure

For the year ended 31 January 2024

25. Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 the wholly owned Australian controlled entities listed in Note 22 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 2024, are set out below:

(a) Statement of comprehensive income

	2024 \$'000	2023 \$'000
Sales revenue	3,322,692	3,661,266
Cost of goods sold	(3,103,916)	(3,405,832)
Gross profit	218,776	255,434
Other revenue	85,417	89,247
Other expense	-	(6,485)
Warehousing and delivery expenses	(134,557)	(161,596)
Sales and marketing expenses	(32,813)	(42,142)
Administration expenses	(87,636)	(81,068)
Impairment expense	-	(6,989)
Depreciation and amortisation	(27,987)	(30,056)
Profit before financing costs and tax expense (EBIT)	21,200	16,345
Finance income	1,708	591
Finance costs	(16,303)	(14,407)
Net finance costs	(14,595)	(13,816)
Profit before income tax	6,605	2,529
Income tax expense	(2,161)	(3,089)
Profit / (loss) for the year	4,444	(560)
Other comprehensive (loss) / income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	12	(22)
Income tax relating to components of other comprehensive income	(4)	7
<i>Items that will not be reclassified to profit or loss:</i>		
Net change in fair value of equity instruments	(530)	(1,555)
Income tax relating to components of other comprehensive income	159	467
Other comprehensive loss for the year (net of tax)	(363)	(1,103)
Total comprehensive income / (loss) for the year	4,081	(1,663)
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial period	(762,268)	(739,444)
Profit / (loss) for the year	4,444	(560)
Reclassification of settled and expired share-based transactions	(1,897)	(6,720)
Dividends paid	(10,201)	(15,544)
Accumulated losses at the end of the financial period	(769,922)	(762,268)

Notes to the consolidated financial statements: Group structure

For the year ended 31 January 2024

25. Deed of cross guarantee (continued)

(b) Balance sheet

	2024 \$'000	2023 \$'000
Current assets		
Cash and cash equivalents	355,214	12,692
Trade and other receivables	314,384	329,660
Inventories	221,130	324,851
Income tax receivable	3,149	5,309
Prepayments	8,074	6,387
Assets held for sale	6,704	-
Total current assets	908,655	678,899
Non-current assets		
Trade and other receivables	8,107	4,883
Property, plant and equipment	188,507	200,029
Goodwill and other intangible assets	104,238	111,243
Right-of-use assets	83,152	90,692
Other financial assets	21,434	23,889
Net deferred tax assets	59,569	58,707
Total non-current assets	465,007	489,443
Total assets	1,373,662	1,168,342
Current liabilities		
Bank overdraft	-	3,681
Trade and other payables	327,097	425,058
Lease liabilities	9,789	9,263
Provisions	6,933	13,328
Deferred income	82	-
Liabilities held for sale	423	-
Total current liabilities	344,324	451,330
Non-current liabilities		
Borrowings	-	80,000
Lease liabilities	126,842	134,041
Provisions	7,179	4,909
Total non-current liabilities	134,021	218,950
Total liabilities	478,345	670,280
Net assets	895,317	498,062
Equity		
Contributed equity	1,662,546	1,257,511
Reserves	2,693	2,819
Accumulated losses	(769,922)	(762,268)
Total equity	895,317	498,062

Notes to the consolidated financial statements: Other disclosures

For the year ended 31 January 2024

Other disclosures	
This section provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.	
26. Expenditure commitments	30. Employee share plans and share-based payments
27. Auditors' remuneration	31. Notes to the statement of cash flows
28. Guarantees	32. New accounting standards
29. Key management personnel compensation	

26. Expenditure commitments

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

	2024 \$'000	2023 \$'000
Capital expenditure contracted but not provided for in the financial report and payable	3,546	2,882
Total expenditure commitments	3,546	2,882

27. Auditors' remuneration

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

	2024 \$	2023 \$
Auditors of the parent entity – Deloitte Touche Tohmatsu		
Audit and review of financial reports of the entity or any controlled entity	721,800	755,460
Total remuneration	721,800	755,460

28. Guarantees

Guarantees existed at the end of year in respect of:

	2024 \$'000	2023 \$'000
Bank guarantees	6,644	6,644
Total guarantees	6,644	6,644

As at 31 January 2024, the Group has obtained bank guarantees from a financial institution of \$6,644,000 (2023: \$6,644,000) for securing the leased premises and warehouses held under the Group and with \$nil (2023: nil) being utilised as at year end.

29. Key management personnel compensation

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

	2024 \$	2023 \$
Short-term employee benefits	3,750,791	3,121,785
Post-employment benefits	147,579	119,408
Long-term benefits	2,185	2,162
Share-based payments	1,539,018	1,548,854
Total key management personnel compensation	5,439,573	4,792,209

Key management personnel ("KMP") and remuneration disclosures are provided in the Remuneration Report on pages 17 to 42.

Disclosures relating to related party transactions with Directors or key management personnel are set out in Note 23.

Notes to the consolidated financial statements: Other disclosures

For the year ended 31 January 2024

30. 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:

	2024	2023
	\$'000	\$'000
Share-based payment expense:		
Shares (loan funded) issued under the employee share plan and executive long-term incentive	412	175
Rights issued under the executive long-term incentive plan	1,751	-
Rights issued under the short-term incentive plan	460	1,756
Cash settled performance rights under long-term incentive plan	131	-
Total	2,754	1,931

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

Up until the financial year 2021/22, the Group's Employee Share Plan periodically offered 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 6,924,000 shares are on issue (2023: 10,738,000).

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.

Upon deciding to introduce a companywide Short Term Incentive Plan for financial year 2022/2023, the Company decided not to run an employee share scheme offering for this financial year. While the existing loan funded plans from previous years remain on foot, a companywide scheme has the potential to deliver a more immediate financial return than the employee loan funded share plan.

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 loan funded share plans 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 2022 (grant date: 1 February 2021) and the year ended 31 January 2023, the Group used a loan funded share plan for the executive long-term incentive (LTI) plan. For the year ended 31 January 2024, the Group used a rights issue (see below) for the executive LTI.

Executive long-term incentive plan – rights issue (zero exercise price):

As noted above, for the year ended 31 January 2024 (grant date: 1 February 2023) 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.

Executive short-term incentive plans – rights issue (zero exercise price):

During the year ended 31 January 2023 (grant date: 18 April 2022) the Company implemented a short-term incentive (STI) deferred rights plan for the CEO and CFO. The deferred rights STI plan was also used for the year ended 31 January 2024. During the year ended 31 January 2023, the Company also provided a sign on rights issue to the new CEO (grant date: 1 February 2022) covering the 24-month period to 31 January 2024.

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).

Deferral Short-term incentive (STI) Plan - Rights issue (Zero exercise price)

During the year ended 31 January 2023 (grant date: 1 February 2023) the Company implemented a rights issue for the deferral short-term incentive plans for a 12-month period.

Notes to the consolidated financial statements: Other disclosures

For the year ended 31 January 2024

30. Employee share plans and share-based payments (continued)

Share-based remuneration schemes – continued

Cash settled performance rights under long-term incentive plan

The Company issued to certain employees share appreciation rights (the SARs) that require the Company to pay the intrinsic value of the SAR to the employees at the date of exercise. At 31 January 2024, the Group has recorded liabilities of \$131,409. The fair value of the SARs is determined using the Black-Scholes pricing model for earnings per shares and service condition components and using the Monte-Carlo simulation for the Total Shareholder Return component based on the assumptions of share price of \$1.035, expected volatility at 30%, vesting life of 3 years, dividend yield of 0.97% and risk free interest rate of 3.54%. The Group recorded total expenses of \$131,409 during the year in respect of the SARs. At 31 January 2024, the total intrinsic value of the vested SARs was \$734,598.

Details of the features of each share-based remuneration scheme are provided on pages 29 to 30 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
2024					
Number of outstanding loan funded shares	22,886,910	-	-	(5,701,264)	17,185,646
Weighted average exercise price	\$0.53	-	-	\$0.60	\$0.51
2023					
Number of outstanding loan funded shares	22,463,684	19,048,721	-	(18,625,495)	22,886,910
Weighted average exercise price	\$0.64	\$0.47	-	\$0.59	\$0.53

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
2024					
Number of outstanding performance rights	-	14,100,938	-	(1,940,467)	12,160,471
Total	-	14,100,938	-	(1,940,467)	12,160,471
2023					
Number of outstanding performance rights	1,424,882	-	-	(1,424,882)	-
Total	1,424,882	-	-	(1,424,882)	-

Notes to the consolidated financial statements: Other disclosures

For the year ended 31 January 2024

30. Employee share plans and share-based payments (continued)

Executive short-term incentive (STI) plans – 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
2024					
Number of outstanding performance rights	4,016,160	-	(2,439,362)	(94,376)	1,482,422
Total	4,016,160	-	(2,439,362)	(94,376)	1,482,422
2023					
Number of outstanding performance rights	2,589,686	3,347,620	(1,729,758)	(191,388)	4,016,160
Total	2,589,686	3,347,620	(1,729,758)	(191,388)	4,016,160

Deferral 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
2024					
Number of outstanding performance rights	-	279,600	-	(39,138)	240,462
Total	-	279,600	-	(39,138)	240,462

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 (Zero exercise price) 1 February 2023	Executive LTI plan - rights issue - TSR (Zero exercise price) 1 February 2023	Deferral STI Plan – rights issue (Zero exercise price) 1 February 2023
Grant date	1 February 2023	1 February 2023	1 February 2023
Fair value	\$0.57	\$0.26	\$0.62
Inputs into the model:			
Grant date share price	\$0.645	\$0.645	\$0.645
Exercise price	\$0.000	\$0.000	\$0.000
Expected volatility	30%	30%	N/A
Vesting life	3 Years	3 Years	1 Year
Option life	4 Years	4 Years	4 Years
Expected dividend yield	3.00%	3.00%	3.00%
Risk free interest rate	3.20%	3.20%	N/A

Notes to the consolidated financial statements: Other disclosures

For the year ended 31 January 2024

31. 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. The year-on-year increase in the Group's cash balance reflects proceeds from the Institutional and Retail Entitlement Offer announced on 13 December 2023. Cash as shown in the statement of cash flows is reconciled to the related items in the consolidated balance sheet as follows:

	Note	2024 \$'000	2023 \$'000
Cash and cash equivalents:			
Cash and bank balances		356,496	16,650
Secured bank overdraft facility	18	-	(3,681)
Total		356,496	12,969

Reconciliation of profit for the year to net cash flows from operating activities

	2024 \$'000	2023 \$'000
Profit for the year	5,311	3,027
Depreciation expense	24,486	26,547
Amortisation expense	3,837	3,789
Share-based payments expense	2,754	1,931
Impairment of financial assets	-	6,989
(Gain) / loss on disposal of property, plant and equipment and investments	(1,477)	6,485
Gain on disposal of hospital operations	(9,235)	-
Others	-	55
<i>Change in assets and liabilities:</i>		
Change in inventories	103,723	(3,211)
Change in net taxes	3,642	(7,306)
Change in prepayments	(1,308)	43,207
Change in trade and other receivables	10,884	27,497
Change in trade payables	(102,652)	53,542
Change in provisions	(2,017)	(11,215)
Change in other payables and deferred income	4,017	(15,352)
Net cash flows from operating activities	41,965	135,985

Reconciliation of liabilities arising from financing activities

	Secured loans \$'000	Unsecured loans \$'000	Total \$'000
2023			
Total liability 1 February 2022	165,000	-	165,000
Proceeds on borrowings	385,000	-	385,000
Repayment on borrowings	(470,000)	-	(470,000)
Non-cash flow	-	-	-
Total liability 31 January 2023	80,000	-	80,000
2024			
Proceeds on borrowings	725,000	-	725,000
Repayment on borrowings	(805,000)	-	(805,000)
Non-cash flow	-	-	-
Total liability 31 January 2024	-	-	-

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

Notes to the consolidated financial statements: Other disclosures

For the year ended 31 January 2024

32. 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 2023, including the following:

- *AASB 17 Insurance Contracts*
- *AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts*
- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- *AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- *AASB 2021-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*
- *AASB 2022-1 Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information.*
- *AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments*
- *AASB 2023-2 Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules*
- *AASB 2022-7 Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards*

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 2024 year end reporting period and have not yet been applied by the Group within this financial report:

- *AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- *AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*
- *AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- *AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- *AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*
- *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*
- *AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*
- *AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback*
- *AASB 2023-1 Amendments to Australian Accounting Standards – Supplier Finance Arrangements*
- *AASB 2023-5 Amendments to Australian Accounting Standards – Lack of Exchangeability*

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 2024

In the opinion of the Directors of Sigma Healthcare Limited:

- (a) The consolidated financial statements and notes, set out on pages 44 to 85, 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 2024 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 22 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 2024 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 Michael Sammells
Chairman



Vikesh Ramsunder
CEO and Managing Director

Melbourne
20 March 2024

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Sigma Healthcare Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 31 January 2024, 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 material 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 2024 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.

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 2024, the Group had goodwill totalling \$95.2 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"). As disclosed in note 12, management applied a 'value in use' approach for the Sigma CGU and Medical Packaging Services CGU and a 'fair value less cost of disposal' approach for the NostraData CGU.</p> <p>Under a 'value in use' approach, discounted cash flow models were prepared, which included assumptions relating to:</p> <ul style="list-style-type: none"> • Future cash flows for each CGU including forecast gross profit margins and sales and other revenue growth rates; • Capital expenditure; • 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 CGU, where our risk and key audit matter is pinpointed, is highly sensitive to changes in key assumptions, notably forecast gross profit margins, sales and other revenue growth rates and discount rate.</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; • Assessing the design and implementation of relevant controls within management's impairment assessment process, including the preparation, review and Board approval of cash flow forecasts supporting this process; and • In conjunction with our valuation specialists, we evaluated the key assumptions used in management's recoverable amount analysis for the Sigma CGU including: <ul style="list-style-type: none"> ○ Assessing the basis for management's forecast cash flows including sales and other revenue growth rates, gross profit margins, capital expenditure and terminal value growth assumptions including consideration of historical growth trends 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 discount rate adopted by management; ○ Performing sensitivity analysis on key assumptions in the impairment model to simulate alternative market conditions and outcomes; and ○ Assessing the integrity and mathematical accuracy of the impairment model prepared by management. <p>We also assessed the adequacy 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 and existence of inventory</p> <p><i>Refer to note 9</i></p> <p>The Group has total net inventory of \$221.1 million as at 31 January 2024, which is recognised 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.</p> <p>The Group has recognised an inventory provision of \$16.3 million as at 31 January 2024, a decrease of \$18.8 million in the current financial year. Significant judgement is involved in relation to determining the inventory provision and includes current customer demands, historical inventory write-offs, inventory turnover trends and other analysis.</p> <p>The Group performs either cycle counts or periodic stocktakes depending on the inventory held at the specific distribution centre. The materiality of the inventory balance and the number of distribution centres used by the Group result in inventory valuation and existence being considered a key audit matter.</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 inventory balances that are obsolete, slow moving or have other characteristics that suggest the balance is not recoverable; • Reviewing the Group's inventory provision policy and assessing the design and implementation of relevant controls within management's inventory costing and provision processes; • Challenging management's view of slow moving and obsolete inventory by: <ul style="list-style-type: none"> ○ Assessing the completeness of management's assessment through audit procedures on the determination of cost and net realisable value; and ○ Assessing the adequacy of the provision against current customer demands, historical inventory write-offs and inventory turnover. • Attending cycle counts close to year-end and performing independent inventory count procedures at locations deemed to have a material risk to the Group's financial report; and • Obtaining the results from a sample of cycle counts and stocktakes performed during the financial year and validating that variances have been appropriately recognised. <p>We also assessed the adequacy of the disclosures in the notes to the financial statements.</p>
<p>Operation of financial reporting Information Technology (IT) controls</p> <p>The Group's IT systems are key to the daily operations and the integrity of the financial reporting process. Ensuring the IT systems have appropriate general IT controls is fundamental in mitigating the potential for fraud and/or error as a result of change/s to an application or underlying data.</p> <p>We have assessed the general IT control environment and identified various deficiencies which require remediation in order for controls reliance to be placed. Since these deficiencies were raised in the current and previous reporting periods, the Group have implemented and continue to implement a number of enhanced controls to strengthen the general IT control environment.</p> <p>In order for reliance to be placed on the general IT control environment in future reporting periods, sufficient remediation of the deficiencies will be required.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining an understanding of key business processes and their associated IT systems, general IT controls, application controls and IT dependant manual controls; • Evaluating and testing the design and implementation of any relevant general IT controls, application controls and IT dependant manual controls with the assistance of our IT audit specialists related to key business processes; • Obtaining an understanding of the remediation of the general IT control deficiencies; • Considering the broader IT environment including the governance process and controls to monitor and enforce control awareness across the Group; and • Responding to the identified IT control findings by designing and performing alternative or additional procedures as well as varying the nature, timing and extent of the substantive procedures performed.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 January 2024, but does not include the financial reports and our auditor's report thereon.

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

In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

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.

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 17 to 42 of the Director's Report for the year ended 31 January 2024.

In our opinion, the Remuneration Report of Sigma Healthcare Limited, for the year ended 31 January 2024, 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

DELOITTE TOUCHE TOHMATSU

Delaney

X Delaney
Partner

Chartered Accountants

Parramatta, 20 March 2024

Shareholder information

Equity security holders

As at 18 March 2024, the Company has 1,631,866,135 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 18 March 2024 (as named on the register of shareholders):

Name	Ordinary shares	
	Number held	% of issued shares
HMC CAPITAL PARTNERS HOLDINGS PTY LTD	311,242,135	19.07%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	295,751,528	18.12%
CITICORP NOMINEES PTY LIMITED	248,058,343	15.20%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	164,445,049	10.08%
NATIONAL NOMINEES LIMITED	64,967,710	3.98%
SIGMA EMPLOYEE SHARE ADMIN P/L	37,184,497	2.28%
PACIFIC CUSTODIANS PTY LIMITED	32,103,793	1.97%
UBS NOMINEES PTY LTD	27,854,014	1.71%
BNP PARIBAS NOMINEES PTY LTD	12,983,279	0.80%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,673,531	0.72%
BNP PARIBAS NOMS PTY LTD	11,172,115	0.68%
INVIA CUSTODIAN PTY LIMITED	7,596,481	0.47%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	7,365,783	0.45%
WARBONT NOMINEES PTY LTD	5,805,877	0.36%
LYGON FINANCE PTY LTD	4,906,459	0.30%
CITICORP NOMINEES PTY LIMITED	4,794,059	0.29%
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	4,281,681	0.26%
BNPP NOMS PTY LTD HUB24 CUSTODIAL SERV LTD	4,049,515	0.25%
BNP PARIBAS NOMINEES PTY LTD BARCLAYS	3,406,856	0.21%
NETWEALTH INVESTMENTS LIMITED	3,315,488	0.20%
Total top 20 holders	1,256,202,788	76.98%
Total other holders	375,663,347	23.02%
Grand total	1,631,866,135	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 18 March 2024:

Name	Noted date of change	Number of equity securities	Voting power
HMC Capital Limited	29 January 2024	311,242,135	19.07%
Perpetual Limited	29 January 2024	84,682,625	5.19%

Shareholder information

Holdings distribution

Range	Number of holders
100,001 and Over	595
50,001 to 100,000	762
10,001 to 50,000	4,567
5,001 to 10,000	3,192
1,001 to 5,000	7,795
1 to 1,000	3,372
Total	20,283
Unmarketable Parcels	436

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 2024.

- The maximum number of ordinary shares which may be issued if the performance conditions are achieved is 14,806,923 (2023: 4,014,568).
- Participants do not have voting rights.

Five-year summary

	2024	2023	2022	2021	2020
	\$'m	\$'m	\$'m	\$'m	\$'m
Operating results					
Sales revenue	3,322.1	3,660.2	3,446.2	3,400.4	3,244.3
EBITDA	51.5	49.6	30.0	68.6	24.2
EBIT	23.2	19.3	2.3	40.0	(3.1)
Profit / (loss) before tax	8.6	5.5	(8.3)	28.6	(15.8)
Profit / (loss) after tax	5.3	3.0	(6.3)	45.0	(11.5)
Financial position					
Working capital	212.6	230.0	313.3	294.2	233.8
Fixed assets (including intangibles) ⁵	382.0	409.2	409.6	417.0	434.7
Lease liabilities	136.6	143.3	143.1	148.9	50.1
Other assets / (liabilities)	58.1	48.9	58.2	2.4	4
Capital employed ¹	516.1	544.8	638.0	564.6	622.4
Net debt / (cash)	(356.5)	67.0	149.2	50.3	146.0
Net assets	872.6	477.8	488.8	514.4	476.4
Shareholder related					
Dividend					
- ordinary per share	1.0c	1.5c	2.0c	-	3.0c
- total dividends	10.60	15.9	21.2	-	31.8
Earnings / (loss) per share	0.4c	0.2c	(0.7c)	4.4c	(1.3c)
Dividend payout ratio	200%	530%	n/a	-	n/a
Net tangible asset backing per share	47c	34c	34c	36c	32c
Market capitalisation (balance date)	1,689	673	477	699	636
Ratio and returns					
EBIT margin ²	0.7%	0.5%	0.1%	1.2%	-0.1%
Gearing ³	(69.1%)	12.3%	23.4%	8.9%	23.5%
Interest cover ⁴	3.5x	3.6x	2.8x	6.0x	1.9x

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.