Sigma Healthcare Limited
ABN 15 088 417 403

Appendix 4D

Half year financial report

For the half year ended 31 July 2017

Lodged with the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.

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Shareholder information

Sigma will host a presentation to analysts and media on Thursday 7 September 2017 at 9.30am with all presentation material posted to Sigma's website (www.sigmahealthcare.com.au)

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Shareholder's Calendar

Results announced	7 September 2017
Ex-dividend date	19 September 2017
Record date	20 September 2017
Interim dividend payment	5 October 2017

Results for announcement to the market

For the half year ended 31 July 2017
compared to prior half year ended 31 July 2016

Highlights

- Shareholders continue to be rewarded with 2.5 cents per share dividend
- A pipeline of initiatives points to a more positive outlook for FY19
- Investment in infrastructure remains on track and under budget
- Acquisition of MPS assets provides further expansion opportunities

Group financial results – half year ended 31 July 2017

Group Results	31 July 2017 $000	31 July 2016 $000	Change %
Sales revenue	2,015,499	2,146,033	Down 6.1%
EBITDA	46,773	41,517	Up 12.7%
Earnings before interest and tax (EBIT)	42,755	37,297	Up 14.6%
Net profit after tax (NPAT)	27,860	23,881	Up 16.7%
NPAT attributable to owners of the Company	27,808	23,693	Up 17.4%
Basic earnings per share (cents)	2.8c	2.4c	Up 16.7%
Net tangible asset backing per ordinary share (cents)	40.1c	41.7c	Down 3.8%

Reconciliation of reported vs underlying EBIT

	31 July 2017 $000	31 July 2016 $000
Reported EBIT	42,755	37,297
Add:		
Restructuring costs before tax	431	-
Due diligence costs before tax	1,100	-
Litigation settlement expense before tax	-	11,368
Underlying EBIT	44,286	48,665
Less: Non-controlling interests before interest and tax	130	285
Underlying EBIT attributable to owners of the company	44,156	48,380

Reconciliation of reported vs underlying NPAT

	31 July 2017 $000	31 July 2016 $000
Reported NPAT attributable to owners of the company	27,808	23,693
Add:		
Restructuring costs after tax	302	-
Due diligence costs after tax	770	-
Litigation settlement expense after tax	-	7,958
Underlying NPAT attributable to owners of the company	28,880	31,651

Dividends

Since the end of the half year financial period, the Directors have resolved to pay an interim dividend of 2.5 cents per share fully franked, to be paid on 5 October 2017. The ex-dividend date is 19 September 2017 and the record date is 20 September 2017.

Dividend	Amount per security	Franking percentage
Interim dividend	2.5c	100%
Interim dividend – prior year	2.5c	100%

Acquisition of MPS

On 6 September 2017, the Group acquired the assets and business of MPS Australia (MPS) for $18.5 million. MPS is Australia's largest provider of dose administration services to the aged care sector, and to community pharmacies across Australia. Completion of the acquisition is expected to occur on 30 September 2017, and the Group anticipates continuing the existing operations and seeking opportunities for expansion.

Other information

For a brief explanation of the figures above please refer to the Directors' report and the notes to the condensed consolidated financial statements in this report and the Half Year Media/ASX Release lodged with the ASX.

Half year financial report

For the half year ended 31 July 2017

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This half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 January 2017 and any public announcements made by Sigma Healthcare Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

The Directors present their report on Sigma Healthcare Limited (the Company) and its controlled entities (the Group) for the half year ended 31 July 2017. On 4 May 2017 the Company changed its name from Sigma Pharmaceuticals Limited to Sigma Healthcare Limited, following shareholder approval at the Annual General Meeting on 3 May 2017.

Directors

The names of the Directors of the Company during the half year reporting period and until the date of this report were:

Mr B Jamieson
Mr M Hooper
Mr D Bayes
Mr R Gunston
Mr D Manuel
Ms K Spargo
Ms C Bartlett

Operating and Financial Review

Operations

The Group is the largest full line pharmaceutical wholesale and distribution business in Australia, delivering daily to pharmacies Australia wide. The Group also has an expanding presence in the hospital pharmacy distribution market and in the provision of third party logistics services, both through its subsidiary Central Healthcare Pty Limited (CHS). In addition, the Group manages and promotes a range of over-the-counter Private and Exclusive products made available to brand member customers, as well as the Pharmacy Care Private Label range that is made available to all pharmacy customers, and provides an increasing portfolio of professional service programs.

The Group also owns Australia's largest pharmacy-led network, including brands Amcal, Guardian, PharmaSave, Chemist King and Discount Drugstores (DDS).

Financial performance

The Group consolidated net profit after tax (NPAT) for the half year ended 31 July 2017 of $27,860,000 was up 16.7% from the prior period ($23,881,000).

	31 July 2017 $'000	31 July 2016 $'000
Reported NPAT attributable to owners of the company	27,808	23,693
Add back:		
Restructuring costs after tax	302	-
Due diligence costs after tax	770	-
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Underlying NPAT attributable to owners of the company	28,880	31,651

	31 July 2017 $'000	31 July 2016 $'000
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Underlying EBIT	44,286	48,665
Less: Non-controlling interests before interest and tax	130	285
Underlying EBIT attributable to owners of the company	44,156	48,380

Financial performance (continued)

Reported Earnings Before Interest and Tax (EBIT) of $42,755,000 were up 14.6% on the prior period. The underlying EBIT attributable to owners of the company of $44,156,000 was down 8.7% from $48,380,000 reported in the prior period.

Both periods were impacted by non-operating items. In the current period, expense of $1,531,000 before tax ($1,072,000 after tax) resulted from restructuring and due diligence costs. In the prior period, there was litigation settlement expense of $11,368,000 before tax resulting from the 2012 class action settlement.

Removing the impact of these adjustments, the Underlying NPAT attributable to owners of the company was down 8.8% to $28,880,000 ($31,651,000 in the prior period).

Sales Revenue for the period reached $2,015,499,000, a decrease of 6.1% on the prior period of $2,146,033,000. The decrease in sales revenue was heavily influenced by the reduction in demand for high cost Hepatitis C medications from March 2016. Adjusting for sales of Hepatitis C medications in the current period, Sales Revenue was down 1.4%, which was driven by a number of contributing factors including:

- Volume decline during the period of 2.7%, largely caused by the loss of a customer group and generally softer consumer spend during the half
- Reduced prices from the ongoing Pharmaceutical Benefits Scheme (PBS) price reform.

Gross profit for the period declined by 0.3% to $141,369,000, compared to $141,829,000 in the prior period, with total gross margin of 7.0% increasing from 6.6% as a result of the decline in sale of the high cost and low margin Hepatitis C medications. Excluding the influence of Hepatitis C sales, underlying gross margin increased to 7.9% from 7.8% in the prior period.

Other revenue of $39,488,000 was up 0.8% from $39,164,000 in the prior period. Other revenue includes pharmacy brand member fees, other rebates, promotional and marketing income and data analytics services.

Warehouse and delivery expenses reached $67,545,000 for the current period, up 5.2% from the prior period. This increase mainly reflects the expansion of the CHS business to include costs associated with the new Western Australian Distribution Centre, and increases in people costs in accordance with our EBA agreements. Investment in the Group's key distribution centres is expected to drive future operational efficiencies.

Construction of the Group's site at Berrinba in Queensland is expected to be complete in the second half of this financial year, with construction at Canning Vale in Western Australia now in progress.

Sales and Marketing expenses of $33,998,000 for the period were down 3.2% from $35,138,000 in the prior period. The decrease reflects the inclusion in the prior half year of a provision for doubtful debtors. Excluding the impact, expenses are down $445,000 or 1.2%, largely due to lower people costs.

Administration costs for the half year were up 13.1% to $32,541,000 ($28,767,000 in the prior period). The cost increase largely relates to additional legal costs associated with due diligence and legal proceedings in progress during the period, as well as initial costs associated with commencement of operations at the CHS Western Australian Distribution Centre.

Net interest expense of $1,916,000 was down 17.4% from $2,320,000 in the prior period. The decrease reflects reduced interest rates and a slightly lower average monthly debt position.

Income tax expense of $12,979,000 (effective tax rate of 31.8%) was up compared to $11,096,000 (effective tax rate of 31.7%) in the prior period, in line with an increase in reported profit before tax.

Financial position

The Group's net assets in the last six months decreased from $538,587,000 to $532,869,000.

The working capital balance has increased by $23,266,000 over the last six months. The Cash Conversion Cycle, being the net of Days Sales Outstanding, Days Inventory on Hand and Days Payable Outstanding, has increased by 3 days for this current period to 34. Adjusting for Hepatitis C, the Cash Conversion Cycle increased by 3 days to 39. Both increases have been influenced by additional inventory on hand, particularly for CHS to add inventory at the new Western Australian distribution centre and in preparation to service the new Department of Defence supply agreement and its other customers.

Financial position (continued)

Working capital and capital management has continued to be a major focus of the Company. Underlying Return on Invested Capital ("ROIC") for the current period was 16.1%[1] compared to 15.9% at the end of the half year 31 July 2016.

The on-market share buy-back program continued during the period, with an investment of $3,553,000 to acquire and cancel 4,371,495 shares. Since the commencement of the on-market share buy-back program in October 2012, the Company has invested a total of $90,152,000 to acquire and cancel 120,509,097 of the Company's shares, representing 10.2% of issued capital before the program began. The buy-back has been conducted at an average price per share of $0.75. The continuation of the program will be periodically reviewed by the Board in the context of our ongoing business objectives.

[1] *Underlying pre-tax ROIC is based on the last 12 months of underlying earnings (EBIT), excluding non-operating items, and net assets adjusted for capital work in progress on new distribution centres.*

Likely developments and expected results of operations

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

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

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

Material risks

The Review of Pharmacy Remuneration and Regulation ("PRRR") continues to be conducted on behalf of the Federal Government. An Interim Report was released for public comment in June 2017, with the final report anticipated to be submitted to the Federal Health Minister in the third quarter of the 2017 calendar year. The PRRR is a far-reaching examination of the pharmacy operating environment, from manufacturer, wholesaler, pharmacy and consumer. Any recommendations from this review may form the basis of the negotiation for the Seventh Community Pharmacy Agreement in 2020.

In May 2017, the Group announced the commencement of legal proceedings against a major customer group in relation to the operation of certain aspects of the current supply agreement. In July 2017, the Group subsequently announced that it would discontinue legal proceedings as a result of the parties entering into a formal negotiation period to seek a commercial resolution. If a commercial resolution is not reached the parties have agreed to confidential and binding mediation and arbitration. This process is currently underway, and may or may not lead to a satisfactory commercial outcome for the Group.

Other than as highlighted above, there has not been a material change in the Group's risk profile since 31 January 2017. Details of the Group risk are outlined in the 31 January 2017 Directors' Report.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 9

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. In accordance with that Corporations Instrument, the amounts shown in the directors' report and the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Events subsequent to balance date

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

Dividend

Since the end of the half year, the Board of Directors have resolved to pay a final dividend of 2.5 cents per share fully franked, to be paid on 5 October 2017 to shareholders on the register at the ex-dividend date of 19 September 2017. The total amount payable is $26.6 million.

Acquisition of MPS

On 6 September 2017, the Group acquired the assets and business of MPS Australia (MPS) for $18.5 million. MPS is Australia's largest provider of dose administration services to the aged care sector, and to community pharmacies across Australia. Completion of the acquisition is expected to occur on 30 September 2017, and the Group anticipates continuing the existing operations and seeking opportunities for expansion.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 July 2017 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial 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 6 September 2017.

Brian Jamieson
Chairman

Mark Hooper
Managing Director

Melbourne,
6 September 2017

Deloitte.

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

6 September 2017

Dear Board Members

Sigma Healthcare Limited

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

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

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
Chartered Accountants

Condensed consolidated statement of comprehensive income

For the half year ended 31 July 2017

	Notes	31 July 2017 $'000	31 July 2016 $'000
Sales revenue		**2,015,499**	2,146,033
Cost of goods sold		**(1,874,130)**	(2,004,204)
Gross profit		**141,369**	141,829
Other revenue		**39,488**	39,164
Warehousing and delivery expenses		**(67,545)**	(64,203)
Sales and marketing expenses		**(33,998)**	(35,138)
Administration expenses		**(32,541)**	(28,767)
Litigation settlement expense	3	**-**	(11,368)
Depreciation and amortisation	3	**(4,018)**	(4,220)
Profit before financing costs and tax expense (EBIT)		**42,755**	37,297
Finance income		**749**	1,016
Finance costs		**(2,665)**	(3,336)
Net finance costs		**(1,916)**	(2,320)
Profit before income tax		**40,839**	34,977
Income tax expense		**(12,979)**	(11,096)
Profit for the half year		**27,860**	23,881
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of financial asset		**(208)**	17
Exchange differences on translation of foreign operations		**(59)**	67
Income tax relating to components of other comprehensive income		**80**	(25)
Other comprehensive income/(loss) for the half year (net of tax)		**(187)**	59
Total comprehensive income for the half year		**27,673**	23,940
Profit attributable to:			
Owners of the Company		**27,808**	23,693
Non-controlling interest		**52**	188
Profit for the half year		**27,860**	23,881
Total comprehensive income attributable to:			
Owners of the Company		**27,621**	23,752
Non-controlling interest		**52**	188
Total comprehensive income for the half year		**27,673**	23,940
Earnings per share (cents) attributable to owners of the Company			
Basic earnings per share		**2.8**	2.4
Diluted earnings per share		**2.6**	2.2

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

Condensed consolidated balance sheet

As at 31 July 2017

	Notes	31 July 2017 $'000	31 January 2017 $'000
Current assets			
Cash and cash equivalents		**23,243**	24,403
Trade and other receivables		**582,781**	566,895
Inventories		**362,520**	322,000
Current income tax receivable		**2,802**	-
Prepayments		**5,698**	5,427
Total current assets		**977,044**	918,725
Non-current assets			
Trade and other receivables		**570**	3,459
Property, plant and equipment	5	**110,566**	77,870
Goodwill and other intangible assets	6	**103,158**	102,694
Other financial assets		**1,251**	1,458
Net deferred tax assets		**15,662**	14,676
Total non-current assets		**231,207**	200,157
Total assets		**1,208,251**	1,118,882
Current liabilities			
Bank overdraft		**-**	32,129
Trade and other payables		**550,603**	523,770
Borrowings	7	**95,014**	14
Income tax payable		**-**	581
Provisions		**16,518**	15,893
Deferred income		**3,704**	2,220
Total current liabilities		**665,839**	574,607
Non-current liabilities			
Other payables		**426**	426
Borrowings	7	**1,012**	1,016
Provisions		**4,629**	4,050
Deferred income		**3,476**	196
Total non-current liabilities		**9,543**	5,688
Total liabilities		**675,382**	580,295
Net assets		**532,869**	538,587
Equity			
Contributed equity	8	**1,223,182**	1,226,904
Reserves		**10,852**	10,552
Accumulated losses		**(703,041)**	(700,693)
Non-controlling interest		**1,876**	1,824
Total equity		**532,869**	538,587

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

Condensed consolidated statement of cash flows

For the half year ended 31 July 2017

	Notes	31 July 2017 $'000	31 July 2016 $'000
Cash flows from operating activities			
Receipts from customers		**2,237,103**	2,302,571
Payments to suppliers and employees		**(2,212,783)**	(2,228,127)
Payment for litigation claim	3	**-**	(11,368)
Interest received		**749**	1,016
Interest paid		**(2,344)**	(3,467)
Income taxes paid		**(17,258)**	(25,994)
Net cash inflow from operating activities		**5,467**	34,631
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles		**(35,817)**	(8,095)
Acquisition of subsidiaries, net of cash acquired		**(73)**	-
Proceeds from sale of property, plant and equipment		**815**	10
Net cash outflow from investing activities		**(35,075)**	(8,085)
Cash flows from financing activities			
Net proceeds from borrowings		**94,996**	94,998
Payments for shares bought back	8(a)	**(3,553)**	(1,647)
Payments for shares purchased for employees	8(b)	**(4,177)**	(2,472)
Proceeds from employee shares exercised	8(b)	**3,613**	9,306
Dividends paid	4	**(30,287)**	(30,361)
Net cash inflow from financing activities		**60,592**	69,824
Net increase / (decrease) in cash and cash equivalents		**30,984**	96,370
Cash and cash equivalents held at the beginning of the financial period		**(7,726)**	(55,607)
Effects of exchange rate changes on cash and cash equivalents		**(15)**	3
Cash and cash equivalents at the end of the financial period		**23,243**	40,766

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes to the condensed consolidated financial statements

Condensed consolidated statement of changes in equity

For the half year ended 31 July 2017

	Note	Contributed equity					
		Issued capital	**Treasury shares**	**Reserves**	**Accumulated losses**	**Non-controlling interest**	**Total equity**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 February 2016		1,304,146	(65,752)	10,648	(696,890)	1,502	553,654
Profit for the half year		-	-	-	23,693	188	23,881
Other comprehensive income/(loss)		-	-	59	-	-	59
Total comprehensive income for the half year		**-**	**-**	**59**	**23,693**	**188**	**23,940**
Transactions with owners in their capacity as owners:							
Employee shares exercised	8(b)	-	9,306	-	-	-	9,306
Share-based remuneration plans		-	-	1,256	-	-	1,256
Tax on shares allocated to employees		-	-	(783)	-	-	(783)
Share buy-back	8	(1,647)	(2,472)	-	-	-	(4,119)
Dividends paid	4	-	-	1,926	(32,287)	-	(30,361)
Dividends applied to equity compensation plan		-	-	(1,932)	-	-	(1,932)
Reclassification of settled and expired share based transactions		-	259	(2,375)	2,116	-	-
		(1,647)	7,093	(1,908)	(30,171)	-	(26,633)
Balance at 31 July 2016		**1,302,499**	**(58,659)**	**8,799**	**(703,368)**	**1,690**	**550,961**
Balance at 1 February 2017		1,299,156	(72,252)	10,552	(700,693)	1,824	538,587
Profit for the half year		**-**	**-**	**-**	**27,808**	**52**	**27,860**
Other comprehensive income/(loss)		**-**	**-**	**(187)**	**-**	**-**	**(187)**
Total comprehensive income for the half year		**-**	**-**	**(187)**	**27,808**	**52**	**27,673**
Transactions with owners in their capacity as owners:							
Employee shares exercised	8(b)	**-**	**3,613**	**-**	**-**	**-**	**3,613**
Share-based remuneration plans		**-**	**-**	**1,649**	**-**	**-**	**1,649**
Tax on shares allocated to employees		**-**	**-**	**10**	**-**	**-**	**10**
Share buy-back	8	**(3,553)**	**(4,177)**	**-**	**-**	**-**	**(7,730)**
Dividends paid	4	**-**	**-**	**1,947**	**(32,234)**	**-**	**(30,287)**
Dividends applied to equity compensation plan		**-**	**-**	**(646)**	**-**	**-**	**(646)**
Reclassification of settled and expired share based transactions		**-**	**395**	**(2,473)**	**2,078**	**-**	**-**
		(3,553)	**(169)**	**487**	**(30,156)**	**-**	**(33,391)**
Balance at 31 July 2017		**1,295,603**	**(72,421)**	**10,852**	**(703,041)**	**1,876**	**532,869**

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

1. Basis of financial report preparation and significant accounting policies

Statement of compliance

This general purpose financial report for the half year ended 31 July 2017 has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. This half year report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, together with any public announcements made by Sigma Healthcare Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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. In accordance with that Corporations Instrument, the amounts shown in the directors' report and the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 31 January 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New accounting standards and interpretations

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

New and revised standards and amendments thereof and interpretations effective for the current half year period that are relevant to the group include:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016*

The adoption of the above amending standards did not have any impact on the disclosures or amounts recognised in the condensed consolidated financial statements for the half year ended 31 July 2017.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 February 2017 and earlier application is permitted; however, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. The Group's assessment of the impact of these standards and interpretations is set out below.

Title	Nature of change and summary of impact	Mandatory and anticipated date of application
AASB 9 *Financial Instruments*	Addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting. Potential change of classification and measurement of financial assets and liabilities and impact on hedge accounting. The Group is in the process of assessing the potential impact of this standard on its consolidated financial statements. As such, the extent of its impact has not been determined.	1 February 2018
AASB 15 *Revenue from Contracts with Customers*	Replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised. The Group is in the process of assessing the potential impact of this standard on its consolidated financial statements. As such, the extent of its impact has not been determined.	1 February 2018
AASB 16 *Leases*	Provides a new model for accounting for leases. Early adoption is permitted under certain circumstances. The potential effect of this standard is yet to be determined.	1 February 2019

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

2. 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 executive team consisting of the Chief Executive Officer and Managing Director (CEO), Chief Operating Officer (COO), Chief Financial Officer (CFO) and Executive General Manager, Strategy and Business Development. For the half year ended 31 July 2017 management determined that the Group operates only the Healthcare segment.

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

The Healthcare segment represents the traditional full line pharmacy wholesale business, retail and private label product ranges.

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

Revenue from one customer group contributes 40.5% of the Group's revenues (2016: 36.4%). This customer has a long standing relationship with Sigma and a service contract is in place until June 2019. Sales revenue for the half year ended 31 July 2017 was $817m (2016: $781m).

3. Profit for the half year

	Note	31 July 2017 $'000	31 July 2016 $'000
Profit before tax includes the following specific expenses:			
Write down of inventories to net realisable value		**2,131**	2,383
(Gain) / Loss on disposal of property, plant and equipment and intangible assets		**(415)**	191
Net impairment loss on trade debtors		**864**	1,579
Litigation settlement expense (i)		**-**	11,368
Depreciation and amortisation:			
Amortisation – brand names	6	**243**	242
Amortisation – software	6	**1,052**	1,223
Depreciation – buildings	5	**233**	245
Depreciation – plant and equipment	5	**2,490**	2,510
Total depreciation and amortisation		**4,018**	4,220

(i) Litigation settlement expense

A proportion of the class action settlement reached in 2012 was funded by insurers and subject to a right to 'claw back' in certain circumstances. As a consequence of the guilty pleas by the former CEO and CFO, AIG has notified of its intention to exercise this right. During 2016, Sigma and AIG subsequently agreed to settle the claim for reimbursement for $12,500,000 less an amount received that was previously withheld for costs as part of the original settlement.

4. Dividends

	31 July 2017 $'000	31 July 2016 $'000
Dividends paid during the half year:		
Dividends recognised by the parent entity	**32,257**	32,383
Less: dividends paid on shares held by Sigma Employee Share Plan	**(23)**	(96)
Less: dividends paid on shares issued under the Sigma Employee Share Plan	**(1,947)**	(1,926)
Dividends paid by the group	**30,287**	30,361

Since the end of the half year a fully franked interim dividend of 2.5 cents per share has been declared by the Directors (See Note 11).

5. Property plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 31 January 2017			
Cost	50,467	83,408	133,875
Accumulated depreciation	(8,643)	(47,362)	(56,005)
Net book amount	**41,824**	**36,046**	**77,870**
Half year ended 31 July 2017			
Opening net book amount	**41,824**	**36,046**	**77,870**
Additions	**18,723**	**17,054**	**35,777**
Disposals	**(284)**	**(74)**	**(358)**
Depreciation	**(233)**	**(2,490)**	**(2,723)**
Closing net book amount	**60,030**	**50,536**	**110,566**
At 31 July 2017			
Cost	**68,850**	**100,309**	**169,159**
Accumulated depreciation	**(8,820)**	**(49,773)**	**(58,593)**
Net book amount	**60,030**	**50,536**	**110,566**

Capital Work in Progress

Included in property, plant and equipment at 31 July 2017 is $42,420,950 of capital work in progress ($23,179,352 in land and buildings and $19,241,598 in plant and equipment) (31 January 2017: $22,825,566). The majority of this balance relates to the construction of the Berrinba distribution centre in Queensland.

6. Goodwill and intangible assets

	Goodwill $'000	Brand names $'000	Software $'000	^Other intangibles $'000	Total $'000
At 31 January 2017					
Cost	80,789	25,882	15,820	940	123,431
Accumulated amortisation	-	(11,891)	(7,906)	(940)	(20,737)
Net book amount	**80,789**	**13,991**	**7,914**	**-**	**102,694**
Half year ended 31 July 2017					
Opening net book amount	**80,789**	**13,991**	**7,914**	**-**	**102,694**
Additions	**-**	**-**	**1,800**	**-**	**1,800**
Foreign currency movements	**-**	**(41)**	**-**	**-**	**(41)**
Amortisation	**-**	**(243)**	**(1,052)**	**-**	**(1,295)**
Closing net book amount	**80,789**	**13,707**	**8,662**	**-**	**103,158**
At 31 July 2017					
Cost	**80,789**	**25,718**	**17,620**	**940**	**125,067**
Accumulated amortisation	**-**	**(12.011)**	**(8,958)**	**(940)**	**(21,909)**
Closing net book amount	**80,789**	**13,707**	**8,662**	**-**	**103,158**

^Other Intangibles includes customer relationship and supplier contracts

Impairment of goodwill
Goodwill is not amortised and is tested at least annually for impairment. At the end of the reporting period, the Group assesses whether there is any indication of impairment and no indication was evident at balance date.

Impairment of other intangible assets
Intangible assets are carried at cost less accumulated amortisation and impairment losses. At the end of each reporting period, the Group assesses whether there is any indication that intangible assets may be impaired. No such indication was evident at balance date.

7. Borrowings

	31 July 2017 $'000	31 January 2017 $'000
Current		
Other secured loans	**95,014**	14
Total current borrowings	**95,014**	14
Non-current		
Other secured loans	**44**	47
Unsecured loans	**968**	969
Total non-current borrowings	**1,012**	1,016

Westpac debtor securitisation facility

The Company has a $250 million debtor securitisation facility with Westpac Banking Corporation split into an overdraft facility of $155 million and a revolving facility of $95 million.

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

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

Debtor securitisation programme

The Group operates a debtor securitisation programme. This programme allows the Group to receive cash in advance due to the fact that substantially all the risks and rewards of ownership of debtors within the programme are transferred to a third party. Accordingly, the debtors are recorded off balance sheet. The costs associated with this programme are recorded in "sales and marketing expenses" in the Condensed Consolidated Statement of Comprehensive Income.

Credit facilities

The Group maintains the following credit facilities:

	31 July 2017		31 January 2017	
	Total facility $'000	**Unused $'000**	Total facility $'000	Unused $'000
Credit standby facilities				
Secured bank overdraft facilities	**155,000**	**155,000**	155,000	122,871
Westpac debtor's securitisation facility	**95,000**	**-**	95,000	95,000
Corporate credit card	**3,031**	**2,704**	3,144	3,039

8. Contributed equity

	31 July 2017 $'000	31 January 2017 $'000
Issued Capital:		
Ordinary shares fully paid	**1,295,603**	1,299,156
Issued capital held by equity compensation plan:		
Treasury shares	**(72,421)**	(72,252)
Total contributed equity	**1,223,182**	1,226,904

(a) Movements in ordinary share capital

	No. of Shares	$'000
Balance at 31 July 2016	1,078,025,891	1,302,499
Shares bought on market	(2,787,497)	(3,343)
Balance at 31 January 2017	**1,075,238,394**	**1,299,156**
Shares bought on market	**(4,371,495)**	**(3,553)**
Balance at 31 July 2017	**1,070,866,899**	**1,295,603**

(b) Movements in treasury share capital

	No. of Shares	$'000
Balance at 31 July 2016	(79,527,645)	(58,659)
Shares bought on market	(13,300,000)	(17,164)
Employee shares exercised	6,113,399	3,627
Reclassification of settled and expired share based transactions	-	(56)
Balance at 31 January 2017	**(86,714,246)**	**(72,252)**
Shares bought on market	**(3,746,447)**	**(4,177)**
Employee shares exercised	**6,481,442**	**3,613**
Reclassification of settled and expired share based transactions	**-**	**395**
Balance at 31 July 2017	**(83,979,251)**	**(72,421)**

9. Fair value measurements

At 31 July 2017, the only financial asset or financial liability carried at fair value was listed shares held by the Group that are traded in an active market, which is recorded in 'other financial assets' in the Condensed Consolidated Balance Sheet. This investment is considered a Level 1 financial instrument as the fair value is based on a quoted price in an active market.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the half-year. The carrying amount of other financial assets and financial liabilities recorded in the financial statements at 31 July 2017 are reasonable approximations of their fair value.

10. Contingent liability

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.

11. Events subsequent to balance date

Dividends

Since the end of the financial year, the Board of Directors have resolved to pay a final dividend of 2.5 cents per share fully franked, to be paid on 5 October 2017 to shareholders on the register at the ex-dividend date of 19 September 2017. The total amount payable is $26.6 million.

Acquisition of MPS

On 6 September 2017, the Group acquired the assets and business of MPS Australia (MPS) for $18.5 million. MPS is Australia's largest provider of dose administration services to the aged care sector, and to community pharmacies across Australia. Completion of the acquisition is expected to occur on 30 September 2017, and the Group anticipates continuing the existing operations and seeking opportunities for expansion.

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

Directors' Declaration

For the half year ended 31 July 2017

In the opinion of the Directors of Sigma Healthcare Limited:

a) the financial statements and notes set out on pages 10 to 18 are in accordance with the *Corporations Act 2001* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 31 July 2017 and of its performance, as represented by the results of its operations and its cash flows, for the half year ended on that date, and

b) there are reasonable grounds to believe that Sigma Healthcare Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors, pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Directors

Brian Jamieson
Chairman

Mark Hooper
Managing Director

Melbourne
6 September 2017

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

We have reviewed the accompanying half-year financial report of Sigma Healthcare Limited, which comprises the condensed consolidated balance sheet as at 31 July 2017, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 10 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 July 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sigma Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Sigma Healthcare Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sigma Healthcare Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 July 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
Chartered Accountants
Melbourne, 6 September 2017