Appendix 4D
Half year financial report
Lodged with the Australian Securities Exchange (ASX) under ASX Listing Rule 4.2A.3.

Sigma Healthcare Limited
ABN 15 088 417 403

Reporting period	Comparative period
Half year ended 31 July 2019	Half year ended 31 July 2018

Results for announcement to the market

Group results	31 July 2019 $000	31 July 2018 $000	Change %
Sales revenue from ordinary activities	**1,877,598**	1,957,647	Down 4.1%
Net profit after tax (NPAT)	**2,864**	13,772	Down 79.2%
NPAT attributable to owners of the Company	**2,519**	13,397	Down 81.2%

Dividend information

Since the end of the half year financial period, the Directors have resolved to pay an interim dividend of 1.0 cent per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 July 2019. The ex-dividend date is 19 September 2019, the record date is 20 September 2019 and it is expected to be paid on 4 October 2019.

Dividend	Amount per security	Franking percentage
Interim dividend – year ended 31 January 2020	1.0c	100%
Final dividend – year ended 31 January 2019	2.0c	100%
Interim dividend – year ended 31 January 2019	1.5c	100%

Net tangible asset per security

	31 July 2019	31 July 2018	Change (%)
Net tangible asset backing per ordinary share (cents)	**33.9c**	35.1c	Down 3.4%

Gain or loss of control over entities

The Group gained control of Wholelife Pharmacy Pty Ltd and the assets and business of Cura Health during the half year ended 31 July 2019. Refer to Note 11 in the condensed consolidated financial statements.

Details of associates and joint venture entities

There are no associates or joint ventures as at 31 July 2019.

Dividend reinvestment plans

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

Other information

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

Additional information supporting the Appendix 4D disclosure requirements, including a brief explanation of the figures above, can be found in the Directors' report, notes to the condensed consolidated financial statements in this report, the Sigma 2019/20 Half Year Results Presentation and the Sigma 2019/20 Half Year ASX Release lodged with the ASX.

Reconciliation of reported and underlying EBIT and EBITDA

	31 July 2019 $000	31 July 2018 $000
Reported EBIT	**12,688**	25,320
Add: Reported depreciation and amortisation	**12,606**	6,199
Reported EBITDA	**25,294**	31,519
Add back:		
Restructuring and dual operating costs before tax	**18,635**	8,700
Litigation and due diligence costs / (benefits) before tax[1]	**(6,238)**	552
Impact of adoption of AASB 16 *Leases* before tax	**(5,767)**	-
Underlying EBITDA	**31,924**	40,771
Less: Reported depreciation and amortisation	**(12,606)**	(6,199)
Add: Depreciation of right-of-use assets (impact of adoption of AASB 16 *Leases*)	**4,658**	-
Underlying EBIT	**23,976**	34,572
Less: Non-controlling interests before interest and tax	**(682)**	(473)
Underlying EBIT attributable to owners of the company	**23,294**	34,099

[1] This balance includes the receipt of a confidential legal settlement relating to an historical matter with a third party.

Reconciliation of reported and underlying NPAT

	31 July 2019 $000	31 July 2018 $000
Reported NPAT attributable to owners of the company	**2,519**	13,397
Add back:		
Restructuring and dual operating costs after tax	**13,045**	6,090
Litigation and due diligence costs / (benefits) after tax	**(4,367)**	386
Impact of adoption of AASB 16 *Leases* after tax	**12**	-
Underlying NPAT attributable to owners of the company	**11,209**	19,873

Shareholder information

Sigma will host a presentation to analysts and media on Thursday 5 September 2019 at 10.00am with all presentation material posted to Sigma's website (www.sigmahealthcare.com.au)

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

+61 3 9215 9215
investor.relations@sigmahealthcare.com.au

Half year financial report

For the half year ended 31 July 2019

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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 2019 and any public announcements made by Sigma Healthcare Limited during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Note regarding non-IFRS financial information

Within the Directors' report, the Group has included certain non-IFRS financial information. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business. The Group uses these measures to assess the performance of the business and believes that the information is useful to investors.

The following non-IFRS measures have not been subject to audit or review but have been extracted from the Group's condensed consolidated financial statements, which have been reviewed by the Group's external auditors:

- Underlying EBITDA – Earnings before interest, tax, depreciation and amortisation adjusted for non-operating items
- Underlying EBIT – Earnings before interest and tax adjusted for non-operating items
- Underlying NPAT – Profit after income tax expense adjusted for non-operating items

These measures should be considered as supplements to the other reported measures in the financial statements that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them.

A reconciliation of underlying EBITDA, underlying EBIT and underlying NPAT to the nearest measure prepared in accordance with IFRS is included in the Directors' report.

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

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

Review of operations

A review of the operations of the Group for the half year is set out in the Sigma 2019/20 Half Year Results Presentation and the Sigma 2019/20 Half Year ASX Release lodged with the ASX and below.

Financial performance

The Group reported net profit after tax (NPAT) attributable to owners of the Company for the half year ended 31 July 2019 of $2,519,000, which was down 81.2% from the prior period ($13,397,000). Reported earnings before interest, tax, depreciation and amortisation (EBITDA) of $25,294,000 was down 19.8% on the prior period ($31,519,000).

Both periods were impacted by non-operating items. In the current period, net expenses of $12,397,000 before tax ($8,678,000 after tax) resulted from restructuring, litigation and due diligence. These costs largely related to redundancies in response to the cessation of the contract with the My Chemist/Chemist Warehouse (MC/CW) Group and the closure of the Belmont, WA distribution centre and costs associated with the Group's transformation project, Project Pivot. Part of these costs were offset by the receipt of a legal settlement from a third party relating to an historical matter.

For the half year, the impact on profit or loss from the implementation of AASB 16 *Leases* has also been considered a non-operating item, which when excluded from the reported result, reduces EBITDA by $5,767,000, reduces EBIT by $1,109,000 and increases NPAT by $12,000.

In the prior period, there were restructuring, litigation and due diligence costs of $9,252,000 before tax ($6,476,000 after tax).

Removing the impact of these adjustments, underlying NPAT attributable to owners of the company was down 43.6% to $11,209,000 ($19,873,000 in the prior period). Underlying EBITDA attributable to owners of the company of $31,242,000 was down 22.5% from $40,298,000 reported in the prior period as reported in the below reconciliation.

Reconciliation of reported and underlying NPAT	31 July 2019 $000	31 July 2018 $000
Reported NPAT attributable to owners of the company	**2,519**	13,397
Add back:		
Restructuring and dual operating costs after tax	**13,045**	6,090
Litigation and due diligence costs / (benefits) after tax	**(4,367)**	386
Impact of adoption of AASB 16 *Leases* after tax	**12**	-
Underlying NPAT attributable to owners of the company	**11,209**	19,873

Financial performance (continued)

Reconciliation of reported and underlying EBIT and EBITDA	31 July 2019 $000	31 July 2018 $000
Reported EBIT	**12,688**	25,320
Add: Reported depreciation and amortisation	**12,606**	6,199
Reported EBITDA	**25,294**	31,519
Add back:		
Restructuring and dual operating costs before tax	**18,635**	8,700
Litigation and due diligence (benefits) / costs before tax	**(6,238)**	552
Impact of adoption of AASB 16 *Leases* before tax	**(5,767)**	-
Underlying EBITDA	**31,924**	40,771
Less: Reported depreciation and amortisation	**(12,606)**	(6,199)
Add: Depreciation of right-of-use assets (impact of adoption of AASB 16 *Leases*)	**4,658**	-
Underlying EBIT	**23,976**	34,572
Less: Non-controlling interests before interest and tax	**(682)**	(473)
Underlying EBIT attributable to owners of the company	**23,294**	34,099

[1] This balance includes the receipt of a confidential legal settlement relating to an historical matter with a third party.

Sales revenue was $1,877,598,000, down 4.1% on the prior period of $1,957,647,000. The decrease in sales revenue was influenced by the reduction in demand for high cost, low margin, Hepatitis C medications. Adjusting for sales of Hepatitis C medications, sales revenue was down 0.5%. This result was impacted by a range of contributing factors including:

- a net 10.1% decrease in revenue earned from the My Chemist/Chemist Warehouse (MC/CW) Group after the existing commercial agreement was not extended. The largest impact for the half was in the month of July 2019, following the transition from 1 July 2019 of PBS supply away from the Group.
- reduced prices from ongoing Pharmaceutical Benefits Scheme (PBS) price reform.
- an offsetting increase in hospitals revenue of 23% (excluding Hepatitis C sales) resulting from growth in sales across Victorian, Western Australian and New South Wales hospitals.
- an offsetting increase in retail pharmacy wholesale volumes (excluding MC/CW and Hepatitis C) from new and existing customers, as well as bulk and export sales and the expansion of the Department of Defence contract.

Gross profit for the period declined by 6.5% to $127,297,000, compared to $136,157,000 in the prior period, with total gross margin of 6.8% decreasing from 7.0%. Excluding the influence of Hepatitis C sales, underlying gross margin decreased from 7.7% in the prior period to 7.0%, caused by a proportional increase in lower margin sales contributed from the hospitals business, ongoing PBS reform and increased discounting of sales due to market competition and the threat of direct distribution from suppliers.

Other revenue of $46,412,000 was down 3.0% from $47,872,000 in the prior period due to reduced discount revenue and rebates received from suppliers, in alignment with reduced stock purchases during the period. Other revenue also includes pharmacy brand member fees, dose administration services, promotional and marketing income and data analytics services.

Warehouse and delivery expenses were $81,265,000, down 6.6% from $87,045,000 in the prior period. There were a number of contributing factors to the net movement in this expense, including:

- a decrease in overall net outbound units year on year due to the commencement of the transition of the MC/CW Group partially offset by higher hospital and retail banner sale volumes
- an increase in labour efficiencies from the new Berrinba distribution centre in Queensland
- the impact of the adoption of AASB 16 *Leases* which decreased operating lease expense by more than $5.0m
- an offsetting increase in redundancy costs to reduce permanent headcount due to the phase out of the MC/CW commercial agreement and the closure of the Belmont site in Western Australia
- an offsetting increase in payroll costs in accordance with EBA requirements.

Continuing investment in the Group's key distribution centres will continue to drive future operational efficiencies. This includes the Canning Vale distribution centre in Western Australia which commenced at the start of this half year, the Pooraka distribution centre, in the northern suburbs of Adelaide, South Australia, expected to be completed at end of this financial year and the Kemps Creek distribution centre in the western suburbs of Sydney, New South Wales, expected to commence operations at the start of the 2020 calendar year.

Financial performance (continued)

Sales and marketing expenses of $35,226,000 for the period were up 6.2% from $33,177,000 in the prior period. The increase reflects additional investment to expand the size of the branded network and implement additional programs to assist pharmacists improve the profitability of their pharmacies.

Administration costs for the half year were down 1.1% to $31,924,000 ($32,288,000 in the prior period). This reflects the recognition of a legal settlement received from a third party as noted above, offset by investments made during the period to commence the execution of the Group's transformation activities in Project Pivot.

Depreciation and amortisation expenses of $12,606,000 were 103.4% higher than $6,199,000 in the prior period, due to additional depreciation from the completion of the distribution centre at Canning Vale in Western Australia, and the recognition of depreciation on right-of-use assets from the implementation of AASB 16 *Leases*.

Net interest expense of $7,633,000 was up 52.7% from $4,998,000 in the prior period. The increase reflects the higher average monthly debt position held in the current reporting period to fund the Group's distribution centre capital expenditure program as well as additional interest on lease liabilities following the adoption of AASB 16 *Leases* from 1 February 2019.

Income tax expense of $2,191,000 (effective tax rate of 43.3%) was down compared to $6,550,000 (effective tax rate of 32.2%) in the prior period, in line with a decrease in reported profit before tax. The effective tax rate is high in the current period due to the impact of share-based payment expenses, which are proportionally high against total profit before tax.

Financial position

The Group's net assets have decreased $19,646,000 since 31 January 2019 from $514,280,000 to $494,634,000. This decrease reflects the high dividend payout ratio as well as $4,676,000 from the implementation of new accounting standards effective 1 February 2019.

Working capital at 31 January 2019 was $301,267,000, which is $104,933,000 lower when compared to 31 January 2019, where it was $406,200,000, mainly reflecting the reduction in working capital associated with the MC/CW commercial agreement.

The Cash Conversion Cycle (CCC), being the net of Days Sales Outstanding (DSO), Days Inventory on Hand (DIO) and Days Payable Outstanding (DPO), has also decreased, reducing 9 days to 27 days. Adjusting for Hepatitis C, the CCC decreased 11 days to 29.

Underlying Return on Invested Capital ("ROIC") for the current period was 12.2%[1] compared to 13.6% at the end of the half year 31 July 2018. The decrease reflects lower underlying EBIT and higher depreciation, partially offset by reduced invested capital employed during the period, given the reduction in the net debt position.

The on-market share buy-back program remained active during the period, though no further buy-backs occurred. Since the commencement of the on-market share buy-back program in October 2012, the Company has invested a total of $99,511,000 to acquire and cancel 131,934,923 of the Company's shares, at an average price of $0.75 per share. This represents 11.1% of issued capital since its commencement. The continuation of the program will be periodically reviewed by the Board in the context of our ongoing business objectives.

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

Material risks

There has not been a material change in the Group's risk profile since 31 January 2019. Details of the Group risk are outlined in the operating and financial review in the 31 January 2019 financial 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 8.

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.

Subsequent events

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

Dividend

Since the end of the half year, the Directors have resolved to pay an interim dividend of 1.0 cent per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 July 2019. The ex-dividend date is 19 September 2019, the record date is 20 September 2019 and it is expected to be paid on 4 October 2019.

Other than the matter discussed above, there has not been any other matter or circumstances that have arisen since 31 July 2019 that have significantly affected, or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent 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 4 September 2019.

Brian Jamieson
Chairman

Mark Hooper
Managing Director

Melbourne,
4 September 2019

Deloitte.

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

4 September 2019

Dear Board Members

Sigma Healthcare Limited

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

As lead audit partner for the review of the financial statements of Sigma Healthcare Limited for the half-year ended 31 July 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the 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 2019

	Note	**31 July 2019 $'000**	31 July 2018 $'000
Sales revenue		**1,877,598**	1,957,647
Cost of goods sold		**(1,750,301)**	(1,821,490)
Gross profit		**127,297**	136,157
Other revenue		**46,412**	47,872
Warehousing and delivery expenses		**(81,265)**	(87,045)
Sales and marketing expenses		**(35,226)**	(33,177)
Administration expenses		**(31,924)**	(32,288)
Depreciation and amortisation	3	**(12,606)**	(6,199)
Profit before finance costs and income tax (EBIT)		**12,688**	25,320
Finance income		**386**	425
Finance costs	3	**(8,019)**	(5,423)
Net finance costs		**(7,633)**	(4,998)
Profit before income tax		**5,055**	20,322
Income tax expense		**(2,191)**	(6,550)
Profit for the half year		**2,864**	13,772
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**1**	7
Income tax relating to components of other comprehensive income		**-**	(2)
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity instruments		**1,083**	(541)
Income tax relating to components of other comprehensive income		**(325)**	162
Other comprehensive income / (loss) for the half year (net of tax)		**759**	(374)
Total comprehensive income for the half year		**3,623**	13,398
Profit attributable to:			
Owners of the Company		**2,519**	13,397
Non-controlling interest		**345**	375
Profit for the half year		**2,864**	13,772
Total comprehensive income attributable to:			
Owners of the Company		**3,278**	13,023
Non-controlling interest		**345**	375
Total comprehensive income for the half year		**3,623**	13,398
Earnings per share (cents) attributable to owners of the Company			
Basic earnings per share		**0.3**	1.4
Diluted earnings per share		**0.3**	1.3

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 2019

	Note	31 July 2019 $'000	31 January 2019 $'000
Current assets			
Cash and cash equivalents		**123,505**	72,610
Trade and other receivables		**462,948**	577,367
Inventories		**277,836**	343,272
Income tax receivable		**7,052**	3,034
Prepayments		**7,393**	7,926
Assets classified as held for sale	6	**4,041**	-
Total current assets		**882,775**	1,004,209
Non-current assets			
Trade and other receivables		**1,902**	6,306
Property, plant and equipment	6	**240,516**	224,141
Goodwill and other intangible assets	7	**135,069**	125,514
Right-of-use assets	10	**48,618**	-
Investments		**2,675**	3,025
Other financial assets		**4,625**	1,542
Net deferred tax assets		**21,747**	19,117
Total non-current assets		**455,152**	379,645
Total assets		**1,337,927**	1,383,854
Current liabilities			
Trade and other payables		**446,937**	528,252
Borrowings	8	**115,023**	115,003
Lease liabilities	10	**10,296**	-
Provisions		**17,798**	17,573
Deferred income		**2,726**	2,487
Total current liabilities		**592,780**	663,315
Non-current liabilities			
Other payables		**124**	183
Borrowings	8	**200,803**	200,787
Lease liabilities	10	**45,292**	-
Provisions		**4,198**	4,468
Deferred income		**96**	821
Total non-current liabilities		**250,513**	206,259
Total liabilities		**843,293**	869,574
Net assets		**494,634**	514,280
Equity			
Contributed equity	9	**1,208,045**	1,207,794
Reserves		**13,961**	13,832
Accumulated losses		**(728,253)**	(708,372)
Non-controlling interest		**881**	1,026
Total equity		**494,634**	514,280

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 changes in equity

For the half year ended 31 July 2019

		Contributed equity		Reserves						
	Note	Issued capital	Treasury shares	Fair value reserve	Foreign currency translation reserve	Options / performance rights reserve	Employee share reserve	Accumulated losses	Non-controlling interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 January 2018		1,287,137	(86,382)	554	213	5,827	7,678	(701,919)	2,151	515,259
Adjustment on adoption of AASB 9		-	-	-	-	-	-	(4,003)	-	(4,003)
Adjustment on adoption of AASB 15		-	-	-	-	-	-	687	-	687
Balance at 1 February 2018		1,287,137	(86,382)	554	213	5,827	7,678	(705,235)	2,151	511,943
Profit for the half year		-	-	-	-	-	-	13,397	375	13,772
Other comprehensive income / (loss)		-	-	(379)	5	-	-	-	-	(374)
Total comprehensive income for the half year		-	-	(379)	5	-	-	13,397	375	13,398
Transactions with owners in their capacity as owners:										
Employee shares exercised	9(b)	-	6,066	-	-	-	-	-	-	6,066
Share-based remuneration plans		-	-	-	-	1,157	-	-	-	1,157
Share buy-back	9	(868)	(3,251)	-	-	-	-	-	-	(4,119)
Dividends paid	5	-	-	-	-	-	1,902	(26,436)	(1,646)	(26,180)
Dividends applied to equity compensation plan		-	-	-	-	-	(1,049)	-	-	(1,049)
Reclassification of settled and expired share-based transactions		-	(125)	-	-	(2,693)	(355)	3,173	-	-
Income tax relating to transactions with owners		-	-	-	-	-	773	(773)	-	-
		(868)	2,690	-	-	(1,536)	1,271	(24,036)	(1,646)	(24,125)
Balance at 31 July 2018		**1,286,269**	**(83,692)**	**175**	**218**	**4,291**	**8,949**	**(715,874)**	**880**	**501,216**
Balance at 31 January 2019		**1,286,244**	**(78,450)**	**29**	**271**	**5,425**	**8,107**	**(708,372)**	**1,026**	**514,280**
Adjustment on adoption of AASB 16	10	**-**	**-**	**-**	**-**	**-**	**-**	**(4,676)**	**-**	**(4,676)**
Balance at 1 February 2019		**1,286,244**	**(78,450)**	**29**	**271**	**5,425**	**8,107**	**(713,048)**	**1,026**	**509,604**
Profit for the half year		**-**	**-**	**-**	**-**	**-**	**-**	**2,519**	**345**	**2,864**
Other comprehensive income / (loss)		**-**	**-**	**758**	**1**	**-**	**-**	**-**	**-**	**759**
Total comprehensive income for the half year		**-**	**-**	**758**	**1**	**-**	**-**	**2,519**	**345**	**3,623**
Transactions with owners in their capacity as owners:										
Employee shares exercised	9(b)	**-**	**182**	**-**	**-**	**-**	**-**	**-**	**-**	**182**
Share-based remuneration plans		**-**	**-**	**-**	**-**	**1,493**	**-**	**-**	**-**	**1,493**
Dividends paid	5	**-**	**-**	**-**	**-**	**-**	**1,254**	**(20,963)**	**(490)**	**(20,199)**
Dividends applied to equity compensation plan		**-**	**-**	**-**	**-**	**-**	**(69)**	**-**	**-**	**(69)**
Reclassification of settled and expired share-based transactions		**-**	**69**	**-**	**-**	**(2,384)**	**(924)**	**3,239**	**-**	**-**
		-	**251**	**-**	**-**	**(891)**	**261**	**(17,724)**	**(490)**	**(18,593)**
Balance at 31 July 2019		**1,286,244**	**(78,199)**	**787**	**272**	**4,534**	**8,368**	**(728,253)**	**881**	**494,634**

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

Condensed consolidated statement of cash flows

For the half year ended 31 July 2019

	Note	**31 July 2019 $'000**	31 July 2018 $'000
Cash flows from operating activities			
Receipts from customers		**2,251,353**	2,192,466
Payments to suppliers and employees		**(2,123,524)**	(2,156,534)
Interest received		**386**	425
Interest paid		**(8,112)**	(5,355)
Income taxes paid		**(6,919)**	(13,045)
Net cash inflow / (outflow) from operating activities		**113,184**	17,957
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles		**(26,593)**	(58,709)
Acquisition of subsidiaries, net of cash acquired	11	**(9,143)**	(683)
Payments to acquire financial assets		**(2,000)**	
Proceeds from sale of property, plant and equipment		**-**	-
Net cash inflow / (outflow) from investing activities		**(37,736)**	(59,392)
Cash flows from financing activities			
Net proceeds from borrowings		**35**	4,994
Repayments of principal on lease liabilities	10	**(4,502)**	-
Payments for shares bought back	9(a)	**-**	(868)
Purchase of Sigma shares for employees	9(b)	**-**	(3,251)
Proceeds from employee shares exercised	9(b)	**111**	6,066
Dividends paid	5	**(20,197)**	(26,180)
Net cash inflow / (outflow) from financing activities		**(24,553)**	(19,239)
Net increase / (decrease) in cash and cash equivalents		**50,895**	(60,674)
Cash and cash equivalents held at the beginning of the financial period		**72,610**	82,249
Effects of exchange rate changes on cash and cash equivalents		**6**	10
Cash and cash equivalents at the end of the financial period		**123,505**	21,585

The above condensed consolidated statement of cash flows 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 2019 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 financial 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.

In order to conform with the current period's presentation, certain comparatives have been re-classified.

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 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.

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 16 *Leases*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Annual Improvements 2014-2016*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015-2017*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

Refer to Note 10 for the impacts of adopting AASB 16 on the Group.

The adoption of all other amending standards above did not have any impact on the disclosures or amounts recognised in the condensed consolidated financial statements for the half year ended 31 July 2019.

A number of other new standards and amendments to standards are effective for annual periods beginning after 1 February 2019 and for some, earlier application is permitted. The Group has not early adopted any of these standards in preparing these condensed consolidated financial statements. They are not 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 Chief Executive Officer and Managing Director (CEO) and Chief Financial Officer (CFO). For the half year ended 31 July 2019 management determined that the Group operates only in the Healthcare segment. The Healthcare segment represents the traditional full line pharmacy wholesale business, retail and private label product ranges.

The aggregation criteria under AASB 8 *Operating Segments* has been applied to include the results of Sigma Healthcare, Central Healthcare Group, Discount Pharmacy Retail Group, NostraData Pty Ltd, Medical Packaging Systems Group, Wholelife, Cura Health and Medical Industries Australia within the Healthcare segment. Sigma Healthcare, Central Healthcare Group, Discount Pharmacy Retail Group, NostraData Pty Ltd, Medical Packaging Systems Group and Medical Industries Australia are separate cash generating units for impairment testing purposes.

Segment information provided to the CODM

The CODM primarily uses a measure of adjusted earnings before interest, tax, depreciation and amortisation adjusted for the effects of significant non-recurring items ("Underlying EBITDA") to assess the performance of the business. The Group deems Underlying EBITDA to be the most relevant measure of performance in the short to medium term, as the significant capital expenditure program currently in progress will result in an increase in depreciation and amortisation expense in the medium term as construction of distribution centres complete and operations commence.

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

	31 July 2019 $'000	31 July 2018 $'000
Underlying EBITDA attributable to owners of the company	**31,242**	40,298
Less: Restructuring and dual operating costs before tax	**(18,635)**	(8,700)
Add: Litigation and due diligence benefits / (costs) before tax[1]	**6,238**	(552)
Add: Impact of adoption of AASB 16 before tax	**5,767**	-
Add: Non-controlling interests before interest and tax	**682**	473
Less: Net finance costs	**(7,633)**	(4,998)
Less: Depreciation and amortisation	**(12,606)**	(6,199)
Profit before income tax	**5,055**	20,322

[1] This balance includes the receipt of a confidential legal settlement relating to an historical matter with a third party.

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

Revenue from one customer group contributes 38.2% of the Group's revenues (2018: 42.2%). Sales revenue for the half year ended 31 July 2019 was $718,388,000 (2018: $826,728,000).

3. Profit for the half year

	Note	**31 July 2019 $'000**	31 July 2018 $'000
Profit before tax includes the following specific expenses:			
Write down of inventories to net realisable value		**2,630**	1,938
Net impairment loss on trade debtors		**70**	310
Finance costs:			
Interest on borrowings		**6,892**	5,423
Interest – finance leases	10	**1,127**	-
Total finance costs		**8,019**	5,423
Depreciation and amortisation:			
Amortisation – brand names	7	**245**	243
Amortisation – software	7	**2,304**	2,036
Depreciation – buildings	6	**689**	371
Depreciation – plant and equipment	6	**4,710**	3,549
Depreciation – right-of-use assets	10	**4,658**	-
Total depreciation and amortisation		**12,606**	6,199

4. Sales and other revenue

	31 July 2019 $'000	31 July 2018 $'000
Sales revenue	**1,877,598**	1,957,647
Other revenue		
Commissions and fees	**18,616**	18,625
Membership revenue	**6,920**	6,384
Marketing services and promotional revenue	**16,904**	18,745
Sundry revenue	**3,980**	4,118
Profit/(Loss) on sale of property, plant and equipment	**(8)**	-
Total other revenue	**46,412**	47,872

Recognition and measurement

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

The presentation of revenue and other income is consistent with segment reporting (refer to Note 2) 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.

Sales Revenue

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

Other Revenue

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

Contract costs

On occasion the Group incurs upfront costs in the process of signing or retaining franchisees. These costs represent incremental costs of obtaining a contract and are deferred and amortised over the life of the agreements.

5. Dividends

	31 July 2019 $'000	31 July 2018 $'000
Dividends paid during the half year:		
Dividends recognised by the parent entity	**21,191**	26,516
Less: dividends paid on shares held by Sigma employee share plan	**(228)**	(80)
Less: dividends paid on shares issued under the Sigma employee share plan	**(1,254)**	(1,902)
Dividends recognised by non-controlling interests	**490**	1,646
Dividends paid by the group	**20,199**	26,180

Since the end of the half year, a fully franked interim dividend of 1.0 cent per share has been declared by the Directors (See Note 13).

6. Property plant and equipment

	Note	Land and buildings $'000	Plant and equipment $'000	Total $'000
At 31 January 2019				
Cost		129,891	151,679	281,570
Accumulated depreciation		(3,459)	(53,970)	(57,429)
Net book amount		**126,432**	**97,709**	**224,141**
Half year ended 31 July 2019				
Opening net book amount		**126,432**	**97,709**	**224,141**
Acquisition of subsidiaries	11	**-**	**600**	**600**
Additions		**20,789**	**4,461**	**25,250**
Transfer to assets held for sale		**(3,923)**	**(118)**	**(4,041)**
Disposals		**-**	**(35)**	**(35)**
Depreciation		**(689)**	**(4,710)**	**(5,399)**
Closing net book amount		**142,609**	**97,907**	**240,516**
At 31 July 2019				
Cost		**145,723**	**154,883**	**300,606**
Accumulated depreciation		**(3,114)**	**(56,976)**	**(60,090)**
Net book amount		**142,609**	**97,907**	**240,516**

Capital Work in Progress

Included in property, plant and equipment at 31 July 2019 is $70,945,000 of capital work in progress ($37,372,000 in land and buildings and $33,573,000 in plant and equipment) (31 January 2019: $64,606,000). The majority of this balance relates to the construction of the Kemps Creek distribution centre in the western suburbs of Sydney, New South Wales.

7. Goodwill and intangible assets

	Note	Goodwill	INTANGIBLES Brand names	Software	Other intangibles[1]	Total
		$'000	$'000	$'000	$'000	$'000
At 31 January 2019						
Cost		93,084	25,797	34,465	940	154,286
Accumulated amortisation		-	(12,805)	(15,027)	(940)	(28,772)
Net book amount		**93,084**	**12,992**	**19,438**	**-**	**125,514**
Half year ended 31 July 2019						
Opening net book amount		**93,084**	**12,992**	**19,438**	**-**	**125,514**
Acquisition of subsidiary	11	**9,502**	**-**	**-**	**-**	**9,502**
Additions		**-**	**-**	**2,594**	**-**	**2,594**
Foreign currency movements		**-**	**8**	**-**	**-**	**8**
Amortisation		**-**	**(245)**	**(2,304)**	**-**	**(2,549)**
Closing net book amount		**102,586**	**12,755**	**19,728**	**-**	**135,069**
At 31 July 2019						
Cost		**102,586**	**25,839**	**37,059**	**940**	**166,424**
Accumulated amortisation		**-**	**(13,084)**	**(17,331)**	**(940)**	**(31,355)**
Closing net book amount		**102,586**	**12,755**	**19,728**	**-**	**135,069**

[1] Other intangibles consist of customer relationships and supplier contracts

Impairment of goodwill and intangible assets

Goodwill is not amortised and is tested at least annually for impairment. Other intangible assets are carried at cost less accumulated amortisation and impairment losses.

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

Sigma CGU

Impairment testing was undertaken on the Sigma CGU by comparing its recoverable amount to its carrying amount. The recoverable value is 110% of the carrying value of the CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the Sigma CGU goodwill and other non-cash assets.

- Cash flow forecasts: covering a period of five years – the cash flows across the first 4 years are based on current financial forecasts with the remaining year extrapolated using a growth rate of 3.0%. The cash flows in the forecast include the Group's plans for cost rationalisation, procurement and other savings initiatives in response to the cessation of its contract with the My Chemist/Chemist Warehouse (MC/CW) Group. These plans have been derived with the support of external consulting firms and also consider the costs associated with executing the program. The forecast includes the remaining return of working capital from the cessation of the contract but does not reflect any cash flows from the re-investment of this working capital return.
- Terminal value: is calculated using a long-term growth rate based on the cash flow forecast for year five. The long-term growth rate applied is 2.5%, which is based on management expectations of the CGU's long-term performance after considering current conditions and available external market data.
- Discount rates: Cash flow forecasts have been discounted using a pre-tax risk adjusted discount rate of 12.8%.

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

- The cash flow forecast assumptions, specifically, if the cost savings and restructuring initiatives are not achieved effectively and efficiently and consequently do not mitigate the impact of the loss of the MC/CW Group. If the cash inflows from these initiatives included in the CGU are 13% less than forecast, then the carrying value of the CGU would equal its recoverable amount.
- Pre-tax discount rate (12.8%) – if this pre-tax discount rate was 13.9% the carrying value of the CGU would equal its recoverable amount.
- Long-term growth rate (2.5%) – if this growth rate was 1.3% the carrying value of the CGU would equal its recoverable amount.

CHS CGU

Impairment testing was undertaken on the CHS CGU by comparing its recoverable amount to its carrying amount. The recoverable value is 111% of the carrying value of the CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the CHS CGU goodwill and other non-cash assets.

- Cash flow forecasts: covering a period of five years – the first year is based on the current financial forecast with the remaining four years being extrapolated using a long-term growth rate not exceeding 3.0%. The forecast also includes cost rationalisation, procurement and other savings initiatives over the five-year period, as well as revenue arising from expected new third-party logistics business development initiatives.
- Terminal value: The terminal value is calculated using a long-term growth rate based on the cash flow forecast for year five. The long-term growth rate applied is 2.5%, which does not exceed the long-term industry growth rate.
- Discount rates: Cash flow forecasts have been discounted using a pre-tax risk adjusted discount rate of 12.9%.

7. Goodwill and intangible assets (continued)

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

- Business performance – which includes not achieving the cost savings and revenue growth from restructuring initiatives and business development activities included in the cash flow forecasts.
- Pre-tax discount rate (12.9%) – if this discount rate was 13.9% the carrying value of the CGU would equal its recoverable amount.
- Long-term growth rate (2.5%) – if this growth rate was 1.5% the carrying value of the CGU would equal its recoverable amount.

8. Borrowings

	31 July 2019 $'000	31 January 2019 $'000
Current		
Secured cash advance facilities	**115,000**	115,000
Other secured loans	**23**	3
Total current borrowings	**115,023**	115,003
Non-current		
Secured cash advance facilities	**200,000**	200,000
Other secured loans	**53**	37
Unsecured loans	**750**	750
Total non-current borrowings	**200,803**	200,787

Westpac debt facility

The Company has a debt facility with the Westpac Banking Corporation, which includes:

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

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

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

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

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.

9. Contributed equity

	31 July 2019 **$'000**	31 January 2019 $'000
Issued Capital:		
Ordinary shares fully paid	**1,286,244**	1,286,244
Issued capital held by equity compensation plan:		
Treasury shares	**(78,199)**	(78,450)
Total contributed equity	**1,208,045**	1,207,794

(a) Movements in ordinary share capital

	No. of shares	**$'000**
Balance at 31 July 2018	1,059,491,073	1,286,269
Shares bought on market	(50,000)	(25)
Balance at 31 January 2019	**1,059,441,073**	**1,286,244**
Shares bought on market	**-**	**-**
Balance at 31 July 2019	**1,059,441,073**	**1,286,244**

(b) Movements in treasury share capital

	No. of shares	**$'000**
Balance at 31 July 2018	(94,846,525)	(83,692)
Shares bought on market	-	-
Employee shares exercised	7,491,854	5,142
Reclassification of settled and expired share-based transactions	-	100
Balance at 31 January 2019	**(87,354,671)**	**(78,450)**
Shares bought on market	**-**	**-**
Employee shares exercised	**251,596**	**182**
Reclassification of settled and expired share-based transactions	**-**	**69**
Balance at 31 July 2019	**(87,103,075)**	**(78,199)**

10. Impact of new accounting standards

(a) Adoption of AASB 16 *Leases* from 1 February 2019

The Group has adopted AASB 16 *Leases* with a date of initial application of 1 February 2019. AASB 16 replaces AASB 117 *Leases* and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It requires lessees to account for all leases under a single on-balance sheet model, similar to accounting for finance leases under AASB 117. The adoption of AASB 16 results in the Group recognising a right-of-use (ROU) asset and corresponding lease liability for all leases with a term of more than 12-months, excluding low-value assets. Operating lease expense is replaced by depreciation expense on the ROU assets and interest expense on the lease liability as they amortise.

The Group has applied the "Modified Retrospective Approach" when transitioning to the new standard. Under this approach, the Group has not restated comparative reporting periods and has recognised the cumulative effect of applying the new standard as an adjustment to the opening balance of accumulated losses.

The adoption of AASB 16 affected the following Balance Sheet items on 1 February 2019:

	As reported 31 January 2019 $'000	**AASB 16 impact $'000**	**Opening balance 1 February 2019 $'000**
Right-of-use asset	-	30,585	**30,585**
Net deferred tax assets	19,117	2,004	**21,121**
Total assets impact		**32,589**	
Trade and other payables	528,252	(368)	**527,884**
Current lease liabilities	-	10,244	**10,244**
Non-current lease liabilities	-	27,389	**27,389**
Total liabilities impact		**37,265**	
Accumulated losses	(708,372)	(4,676)	**(713,048)**
Total equity impact		**(4,676)**	

(b) Lease liabilities

On adoption of AASB 16, the Group has recognised lease liabilities for leases previously classified as operating leases under the principles of the previous standard AASB 117. These leases were measured at the present value of remaining lease payments discounted using the lessee's incremental borrowing rate as at 1 February 2019. The weighted average lessee's incremental borrowing rate applied was 5.0%.

The following practical expedients have been applied, as permitted by AASB 16:

- Application of a single incremental borrowing rate for a portfolio of leases with reasonable similar characteristics
- Reliance on previous assessments on whether leases are onerous
- Treatment of operating leases with a remaining lease term of less than 12 months at 1 February 2019 as short-term leases, and;
- Application of hindsight in determining lease terms where the contract contains options to extend or terminate the lease.

Lease liabilities recognised in the Balance Sheet on 1 February 2019 reconcile back to operating lease commitments as disclosed at 31 January 2019 as follows:

	2019 $'000
Operating lease commitments disclosed at 31 January 2019	63,436
Discounted using lessee's incremental borrowing rate at date of initial application	(9,408)
Less lease commitments not giving rise to a lease liability at 1 February 2019	(16,395)
Lease liability at 1 February 2019	**37,633**
Current lease liabilities	**10,244**
Non-current lease liabilities	**27,389**

The movement in lease liabilities from adoption on 1 February 2019 to the half year 31 July 2019 is presented below:

	2019 $'000
Lease liability at 1 February 2019	37,633
Additions	22,691
Interest incurred	1,127
Payments on lease liabilities	(5,863)
Lease liability at 31 July 2019	**55,588**
Current lease liabilities	**10,296**
Non-current lease liabilities	**45,292**

10. Impact of new accounting standards (continued)

(c) Lease assets

The associated ROU asset has been measured at the initial lease liability amount, adjusted for initial direct costs incurred when entering into the lease, less any incentives received on commencement date as if the standard had been applied from the commencement date of the leases. The following practical expedients have been applied, as permitted by AASB 16:

- Treatment of operating leases with a remaining lease term of less than 12 months at 1 February 2019 as short-term leases
- Exclusion of initial direct costs for the measurement of the ROU asset at date of initial application, and;
- Application of hindsight in determining lease terms where the contract contains options to extend or terminate the lease.

The recognised ROU assets relate to the following assets:

	Land and Buildings $'000	Plant and Equipment $'000	Total $'000
Opening right-of-use assets (1 February 2019)	26,584	4,001	30,585
Additions	22,691	-	22,691
Depreciation	(4,078)	(580)	(4,658)
Total right-of-use assets (31 July 2019)	45,197	3,421	48,618

(d) Impact on earnings

Adoption of the new standard has increased EBITDA, due to the Group no longer incurring operating lease expense under AASB 16, with a corresponding increase in interest and depreciation expense. The following segments were affected by the change in policy during the half year.

	Healthcare $'000
Adjustment to EBITDA	5,767
Depreciation and amortisation	(4,658)
Finance costs	(1,127)
Income tax expense	5
Net profit after tax	(13)

	2019 $'000
Lease expense – short-term leases	138

(d) The Group's leasing activities

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 10 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.

(e) Critical judgements to determine the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Such options are only included in the lease term if the lease is reasonably certain to be extended. 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.

11. Business acquisitions

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

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

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

Cura Health (Cura)

On 28 June 2019, the Group acquired the assets and business of Cura Health (Cura), the aged care medical packaging business of the Cura Health Group. The acquisition was made through subsidiary MPS Hold Co. Pty Ltd. The acquisition was made to broaden the Group's offering in aged care and dose administration services.

Cura has contributed $307,000 of revenue and $47,000 to profit before tax from continuing operations of the Group since acquisition.

Wholelife Pharmacy Pty Ltd (Wholelife)

On 8 February 2019, the Group obtained control over the assets and business of Wholelife Pharmacy Pty Ltd (Wholelife) through the acquisition of 51% of the shares in the newly incorporated entity which manages the Wholelife Pharmacy and Wholefoods brand. The new business complements the existing services provided by the Group.

From the date of acquisition, the contribution from Wholelife to the overall result of the Group is not material, nor would it have been if the combination had taken place at the beginning of the half year period.

Goodwill arising on acquisitions

2019	Note	Cura $'000	Wholelife $'000	Total $'000
Cash consideration paid or payable		8,742	750	9,492
Contingent consideration		-	-	-
Less: Fair value of identified net assets / (liabilities)		(10)	-	(10)
Goodwill (provisional) on current year acquisitions	7	8,752	750	9,502

$350,000 in cash consideration relating to the Cura acquisition was paid in the year ended 31 January 2019. The remainder of the consideration paid across acquisitions was made in the half year 31 July 2019.

Fair value of identifiable net assets acquired

2019	Note	Cura $'000	Wholelife $'000	Total $'000
Prepayments		16	-	16
Property, plant and equipment	6	600	-	600
Net deferred tax assets		134	-	134
Trade and other payables		(315)	-	(315)
Provisions		(445)	-	(445)
Net identifiable assets acquired		(10)	-	(10)

Fair values measured on a provisional basis

In relation to the above acquisitions we note that the assessment of fair value of the following assets and liabilities are not yet complete as at 31 July 2019 and they have been measured and reported on a provisional basis:

- The assessment of the fair value of intangible assets and potential identifiable intangible assets have not been completed as at 31 July 2019
- The final determination of the fair value of the assets and liabilities of Cura.

If new information is obtained within one year from the acquisition date about the facts and circumstances that existed at the acquisition date, and this identifies adjustments to the above amounts, the acquisition accounting will be revised.

Acquisition-related costs

The Group incurred acquisition related costs of $183,000 (2018: nil) on external legal fees, stamp duty and due diligence costs. This included $157,000 in costs relating to the Cura acquisition and $26,000 relating to the Wholelife acquisition. These costs are included in "Administration expenses" in the condensed consolidated statement of comprehensive income.

12. 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.

13. Events subsequent to balance date

Dividends

Since the end of the half year, the Directors have resolved to pay an interim dividend of 1.0 cent per share fully franked, accordingly this dividend is not provided for in the balance sheet at 31 July 2019. The ex-dividend date is 19 September 2019, the record date is 20 September 2019 and it is expected to be paid on 4 October 2019.

Other than the matter discussed above, there has not been any other matter or circumstance that has arisen since 31 July 2019 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 2019

In the opinion of the Directors of Sigma Healthcare Limited:

a) the financial statements and notes set out on pages 9 to 23 are in accordance with the *Corporations Act 2001* including:
   (i) complying with Australian 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 2019 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
4 September 2019

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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 2019, 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 9 to 24.

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 2019 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.

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 2019 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, 4 September 2019