



Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Interim report

For the half year ended 31 July 2015

Lodged with the Australian Stock Exchange under Listing Rule 4.2

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Sigma will host a presentation to analysts and media on Thursday 10 September 2015 at 10.00 am with all presentation material posted to Sigma's website (www.sigmaco.com.au)

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Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Results for Announcement to the Market

For the half year ended 31 July 2015
compared to prior half year period ended 31 July 2014

Highlights

- Underlying EBIT¹ up 23.5%, benefitting from 56.6% growth in Other Revenue.
- Underlying NPAT¹ up 23.3%
- Reported EBIT down 3.5% and reported NPAT down 15.7%, reflecting the impact of the one off accounting adjustment arising from the outperformance of the CHS/DDS acquisition.
- Revenue up 11.5%, led by organic wholesale growth, and the full six month contribution from Central Healthcare Services (CHS) and Discount Drug Stores (DDS)
- Non-PBS revenue improved to 43% of total revenue
- Acquisitions performing ahead of expectations

The table below provides a summary of the Group's reported financial performance for the half year ended 31 July 2015

Group Financial Results – Half Year Summary

Group Results	31 July 2015 \$000	31 July 2014 \$000	Change %
Sales revenue	1,674,968	1,502,208	Up 11.5%
EBITDA	37,146	37,079	Up 0.2%
Depreciation and amortisation	4,851	3,621	Up 33.9%
Earnings before interest and tax (EBIT)	32,295	33,458	Down 3.5%
Net profit after tax (NPAT)	18,886	22,394	Down 15.7%
Net profit after tax (NPAT) attributable to the Owners of the Company	18,928	22,394	Down 15.5%
EBIT/Sales (EBIT margin)	1.93%	2.22%	Down 13.1%
Basic EPS	1.9c	2.1c	Down 9.5%
Net tangible asset backing per ordinary share	42.0c	46.1c	Down 8.9%

Dividends	Amount per security	Franked amount per security at 30% tax rate
Interim dividend	2.0c	100%
Interim dividend - previous corresponding period	-	-
The record date for determining entitlements to the interim dividend	25 September 2015	

¹Reconciliation of Reported vs Underlying Earnings

	31 July 2015 \$'000	31 July 2014 \$'000
Reported EBIT	32,295	33,458
Add : Loss on recognition of contingent consideration from prior year acquisitions	7,784	-
Amortisation of other intangibles associated with prior year acquisitions	940	-
Share of EBIT of equity accounted investees	294	-
Underlying EBIT	41,313	33,458

¹Reconciliation of Reported vs Underlying Earnings (continued)

	31 July 2015 \$'000	31 July 2014 \$'000
Reported NPAT	18,886	22,394
Add : Loss on recognition of contingent consideration from prior year acquisitions	7,784	-
Amortisation of other intangibles associated with prior year acquisitions	940	-
Underlying NPAT	27,610	22,394

Shareholder information

Shareholder's Calendar

Results announced

2015/16 Half Year Results

10 September 2015

Stakeholder Queries

Share Registry Enquires:

Link Market Services Limited
Locked Bag A14
Sydney South, NSW 1235
Australia

Telephone (within Australia): 1300 139 653

E-mail: registrars@linkmarketservices.com.au

Website: www.linkmarketservices.com.au

Company Enquiries:

Mark Hooper
Managing Director

Jeff Sells
Chief Financial Officer

Gary Woodford
Manager Investor Relations

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Rowville VIC 3178
Australia

Telephone: 03 9215 9215

Fax: 03 9215 9188

The Half Year Report and other company information can be found on Sigma's website at www.sigmaco.com.au

SIGMA PHARMACEUTICALS LIMITED

ABN 15 088 417 403

Registered Office:

3 Myer Place, Rowville VIC 3178



Sigma Pharmaceuticals Limited

ABN 15 088 417 403

Interim report

For the half year ended 31 July 2015

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This interim 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 2015 and any public announcements made by Sigma Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

The Directors present their report on Sigma Pharmaceuticals Limited (the Company) and its controlled entities (the Group) for the half year ended 31 July 2015.

Directors

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

Mr B Jamieson
Mr M Hooper
Mr D Bayes
Mr R Gunston
Mr D Manuel
Ms L Nicholls, AO

Review of operations

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 is also the owner of Australia's largest pharmacy-led network, with over 700 members representing the brands Amcal, Amcal Max, Guardian, PharmaSave, Chemist King and Discount Drugstores (DDS). 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. The Group also has an expanding presence in the hospital pharmaceutical distribution market through its subsidiary Central Healthcare Pty Limited (CHS).

Financial Performance

The Group consolidated net profit after tax (NPAT) of \$18,886,000 was impacted by the one-off accounting adjustment of \$8,724,000, which consisted of loss on recognition of contingent consideration from prior year acquisitions of \$7,784,000 and amortisation of other intangibles associated with prior year acquisitions of \$940,000. These adjustments are required as a result of the acquisition of CHS and DDS performing ahead of expectations.

Removing the impact of the one-off adjustments discussed above, the Underlying NPAT was up 23.3% to \$27,610,000 (\$22,394,000 in the prior comparative period). Earnings Before Interest and Tax (EBIT) of \$32,295,000 was down slightly on the prior period, again reflecting the impact of the one-off accounting adjustment. Underlying EBIT of \$41,313,000 (excluding one off adjustment of \$8,724,000 and including share of EBIT of equity accounted investees of \$294,000) was up 23.5% from \$33,458,000 reported in the prior comparative period.

A continued focus on broadening the revenue base resulted in Sales Revenue for the half year reaching \$1,674,968,000 an increase of 11.5% on the prior comparative period. Increased sales revenue was achieved from a number of contributing factors including:

- Sigma's sales revenue growth of 7.5% compared to the prior comparative period;
- A full six months contribution from the CHS, PharmaSave and Chemist King businesses in the current period compared to only two months contribution in the prior comparative period;
- A full six months contribution from DDS, which was not part of the Group during the prior comparative period;
- Partly offset by the impact of reduced prices from the ongoing Pharmaceutical Benefits Scheme (PBS) price reform

The above factors, along with the gross margin of 7.4% being held consistent with the prior comparative period, resulted in gross profit increasing by 12.2% to \$124,547,000, compared to \$111,043,000 in the prior comparative period.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

Financial Performance (continued)

Other revenue of \$33,154,000 was up 56.6% from \$21,169,000 in the prior comparative period. Other revenue includes pharmacy brand member fees, promotional and marketing income, with the increase largely reflecting the inclusion of a full six months contribution from DDS, PharmaSave and Chemist King.

Warehouse and delivery expenses reached \$59,463,000 for the half year, up 12.2% from the prior comparative period. This increase reflects a full six months costs relating to the CHS wholesale operations, costs associated with volume growth of 12.0% (excluding CHS), increases relating to the Enterprise Bargaining Agreement (EBA) and was partly offset by savings achieved through efficiency gains. Investment in the Group's key distribution centres will be required in order to offset the impact of continued growth in volumes and costs. A new CHS distribution centre is nearing completion at Eastern Creek in NSW, with scoping for the Group's site at Berrinba in Queensland at an advanced stage.

Sales and Marketing expenses of \$28,795,000 for the period were up 41.8% from \$20,308,000 in the prior comparative period. Most of the increase reflects the inclusion of costs invested to support the PharmaSave and DDS banners that were not in the prior comparative period. The remainder of the increase largely reflects the investment in marketing support for our existing banners and customers.

Administration costs for the half year were up 12.3% to \$24,513,000 (\$21,833,000 in the prior comparative period). Approximately half of the increase reflects the inclusion of a full six months costs associated with the CHS business, with the remainder largely reflecting project management and an ongoing investment in the development of our team members.

Net interest expense of \$1,499,000 was up from \$662,000 in the prior comparative period. The increase reflects a combination of a slightly higher intra month debt position and a reduced net cash balance resulting from the ongoing share buy-back program, the payment of dividends and business acquisition activities.

Income tax expense of \$12,108,000 was up from \$10,402,000 in the prior comparative period. The increase reflects the capital nature of the loss on recognition of contingent consideration for tax purpose.

Financial Position

The Group's net assets in the last six months decreased by 4.0% to \$550,085,000.

The on market share buy-back program continued during the period, with an investment of \$9,942,000 to acquire and cancel 12,510,122 shares. Since the commencement of the on market share buy-back program in October 2012, the Company has invested a total of \$80,409,000 to acquire and cancel 110,461,251 of the Company's shares, representing 9.3% of issued capital before the program began. The buy-back has been conducted at an average price per share of \$0.73.

The table below shows the working capital balance has increased by \$20,448,000 in the last six months. However, the Cash Conversion Cycle, being the net of Day Sales Outstanding, Days Inventory on Hand and Days Payable Outstanding, has been maintained at 51 days for this half year. This has resulted from a continued focus on reducing average customer payment terms and maintaining an acceptable spread of Payables to Inventory days outstanding. A summary of the working capital performance and cash conversion cycle is as follows:

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

Financial Position (continued)

\$'000	31 July 2015	31 Jan 2015
Trade Receivable	622,596	578,115
Inventories	291,501	251,385
Trade Creditors	(438,032)	(373,883)
Working Capital	476,065	455,617
Days Sales Outstanding	69	66
Days Inventory Outstanding	35	31
Days Payables Outstanding	53	46
Cash Conversion Cycle days	51	51

Working capital and capital management has continued to be a major focus of the Company. Underlying Return on Invested Capital[^] ("ROIC") for the half year was 15.2% compared to 14.9% at the end of the prior comparative period, and has been achieved off a broader base.

[^] Underlying ROIC is based on last twelve month earnings excluding acquisition expenses, one-off accounting adjustment and including share of EBIT of equity accounted investees.

Likely developments and expected results of operations

The Group's Vision is to be Australia's Partner of Choice in Health, Beauty, and Wellbeing. The Group's strategy is focused on strengthening our pharmacy network and retail offering, building wholesale and distribution partnerships and capability, and continuously pursuing innovations to stay ahead of industry changes. The Group continues to invest in our core business to drive improved operational efficiencies, expand our product and service offering to reduce our reliance on PBS-listed medicines, and to develop relationships with suppliers to improve cost effectiveness through the supply chain.

The Group has acquired land in Berrinba in South East Queensland with the intention of developing a new distribution centre to service the market. Scoping and planning work is at an advanced stage, with construction likely to commence early in the 2016 calendar year.

Work has also commenced in reviewing existing infrastructure in Sydney to identify operational needs and determine the most effective course of action to continue to drive operational improvements. This scoping work will continue through the 2015 calendar year. A new distribution centre is nearing completion in Eastern Creek in Sydney to facilitate increased capacity for the CHS business. This distribution centre is anticipated to be operational from October 2015.

The Group has also implemented a number of business programs and initiatives to improve the operational performance of our customers and the Group. The Group remains confident these strategic initiatives will continue to incrementally drive business improvement and growth through the next six months.

Material Risks

Since the Group's risk profile was outlined in the 31 January 2015 Directors' Report, the Federal Government has entered into a new Sixth Community Pharmacy Agreement (6CPA) with the Pharmacy Guild of Australia, which significantly improves the financial framework for retail pharmacy operators, and therefore should minimise the potential risk of bad debts to the Group. In addition, the Community Service Obligation (CSO) Deed has been rolled forward for 12 months, whilst also reducing the high delivery standards placed on wholesalers and providing wholesalers with the flexibility to charge pharmacy for service delivery beyond the new CSO standards. This amendment may potentially provide risk mitigation to the Group to help offset the impact of ongoing PBS price reform on revenue in the medium term.

Other than highlighted above, there has not been a material change in the Group's risk profile since 31 January 2015. Details of the Group risk are outlined in 31 January 2015 Directors' Report.

Directors' Report

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

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 of the kind referred to in the Australian Securities and Investments Commission Class Order No. 98/100 dated 10 July 1998 relating to the "rounding off" of amounts in the financial report. In accordance with this Class Order, amounts in the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Events subsequent to balance date

Subsequent to 31 July 2015 the following events and transactions have occurred:

Dividends

Since the end of the half year, the Board of Directors has resolved to pay a fully franked interim dividend of 2.0 cents per share to be paid on 7 October 2015 to shareholders on the register at the ex-dividend date of 23 September 2015. The total amount payable for these dividends \$21,618,000.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 July 2015 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 09 September 2015.



Brian Jamieson
Chairman

Melbourne,
09 September 2015



Mark Hooper
Managing Director

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

9 September 2015

Dear Board Members

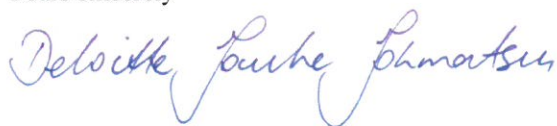
Sigma Pharmaceuticals Limited

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 Pharmaceuticals Limited.

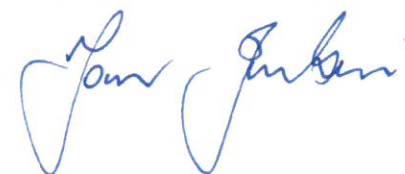
As lead audit partner for the review of the financial statements of Sigma Pharmaceuticals Limited for the period ended 31 July 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (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



Tom Imbesi
Partner
Chartered Accountants

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Consolidated statement of profit or loss and other comprehensive income

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

	Note	31 July 2015 \$'000	31 July 2014 \$'000
Sales revenue		1,674,968	1,502,208
Cost of goods sold		(1,550,421)	(1,391,165)
Gross profit		124,547	111,043
Other revenue and income		33,154	21,169
Warehousing and delivery expenses		(59,463)	(52,992)
Sales and marketing expenses		(28,795)	(20,308)
Administration expenses		(24,513)	(21,833)
Loss on recognition of contingent consideration from prior year acquisitions	8(a)(ii)	(7,784)	-
Depreciation and amortisation	3	(3,911)	(3,621)
Amortisation of other intangibles associated with prior year acquisitions	3	(940)	-
Profit before financing costs		32,295	33,458
Financial income		650	918
Financial expense		(2,149)	(1,580)
Net financing expense		(1,499)	(662)
Share of profit of equity accounted investees, net of tax	7	198	-
Profit before income tax	3	30,994	32,796
Income tax expense		(12,108)	(10,402)
Profit for the half year		18,886	22,394
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(86)	(11)
Income tax relating to components of other comprehensive income		26	3
Other comprehensive loss for the half year, net of tax		(60)	(8)
Total comprehensive income for the half year		18,826	22,386
Profit for the half year attributable to:			
Owners of the Company		18,928	22,394
Non-controlling interests		(42)	-
		18,886	22,394
Total comprehensive income attributable to:			
Owners of the Company		18,868	22,386
Non-controlling interests		(42)	-
		18,826	22,386
Earnings per share (EPS)		Cents	Cents
Basic EPS		1.9	2.1
Diluted EPS		1.7	2.1

Notes appearing on pages 14 to 21 are to be read as part of these consolidated interim financial statements.

Consolidated statement of financial position

Sigma Pharmaceuticals Limited

As at 31 July 2015

	31 July 2015 \$'000	31 January 2015 \$'000
Note		
Current assets		
Cash and cash equivalents	45,630	34,284
Trade and other receivables	641,319	589,957
Inventories	291,501	251,385
Prepayments	4,286	4,246
Total current assets	982,736	879,872
Non-current assets		
Trade and other receivables	8,001	4,738
Property, plant and equipment	5 57,637	57,716
Goodwill and other intangible assets	6 96,165	98,261
Investments accounted for using the equity method	7 8,132	7,934
Net deferred tax assets	8,713	7,142
Total non-current assets	178,648	175,791
Total assets	1,161,384	1,055,663
Current liabilities		
Trade and other payables	523,528	450,633
Borrowings	9 60,311	291
Income tax payable	5,507	12,682
Provisions	14,703	13,592
Deferred income	2,570	1,122
Total current liabilities	606,619	478,320
Non-current liabilities		
Borrowings	9 171	339
Provisions	3,754	3,560
Deferred income	755	443
Total non-current liabilities	4,680	4,342
Total liabilities	611,299	482,662
Net assets	550,085	573,001
Equity		
Contributed equity	10 1,243,800	1,255,466
Reserves	22,919	20,386
Accumulated losses	(716,591)	(702,850)
Non-controlling interest	(43)	(1)
Total equity	550,085	573,001

Notes appearing on pages 14 to 21 are to be read as part of these consolidated interim financial statements

Consolidated statement of cash flows

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

	Note	31 July 2015 \$'000	31 July 2014 \$'000
Cash flows from operating activities			
Receipts from customers		1,816,339	1,628,769
Payments to suppliers and employees		(1,798,135)	(1,609,139)
Interest received		650	918
Interest paid		(2,148)	(1,396)
Income taxes paid		(20,690)	(326)
Net cash (outflow)/inflow from operating activities		(3,984)	18,826
Cash flows from investing activities			
Payments for property, plant and equipment and software	5,6	(2,805)	(2,261)
Payment for business		-	(16,122)
Proceeds from sale of property, plant and equipment		-	1
Net cash outflow from investing activities		(2,805)	(18,382)
Cash flows from financing activities			
Net proceeds/(repayment) of borrowings		59,852	(45)
Payments for shares bought back	10(a)	(9,942)	(11,979)
Purchase of shares for employees	10(b)	(3,950)	(2,064)
Proceeds from employee shares exercised	10(b)	2,226	2,314
Receipts from other loans receivable		923	45
Dividends paid	4	(30,969)	(21,508)
Net cash inflow/(outflow) from financing activities		18,140	(33,237)
Net increase/(decrease) in cash and cash equivalents		11,351	(32,793)
Cash and cash equivalents held at the beginning of the half year		34,284	67,468
Exchange rate adjustments to cash and cash equivalents held at the beginning of the half year		(5)	(6)
Cash and cash equivalents at the end of the half year		45,630	34,669

Notes appearing on pages 14 to 21 are to be read as part of these consolidated interim financial statements

Consolidated statement of changes in equity

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

	Note	Contributed equity		Reserves \$'000	Accumulated losses \$'000	Non- controlling interest \$'000	Total equity \$'000
		Issued capital \$'000	Treasury shares \$'000				
Balance at 1 February 2014		1,336,065	(41,651)	17,537	(733,122)	-	578,829
Profit for the half year		-	-	-	22,394	-	22,394
Other comprehensive loss		-	-	(8)	-	-	(8)
Total comprehensive income for the half year		-	-	(8)	22,394	-	22,386
Transactions with owners in their capacity as owners:							
Movements in:							
- Employee shares exercised	10(b)	-	2,314	-	-	-	2,314
- Share-based remuneration plans		-	-	1,235	-	-	1,235
- Contributed equity	10	3,643	(3,643)	-	-	-	-
Share buy-back	10	(11,979)	(2,064)	-	-	-	(14,043)
Dividends paid	4	-	-	993	(22,501)	-	(21,508)
Dividends applied to equity compensation plan		-	-	(450)	-	-	(450)
		(8,336)	(3,393)	1,778	(22,501)	-	(32,452)
Balance at 31 July 2014		1,327,729	(45,044)	19,307	(733,229)	-	568,763
Balance at 1 February 2015		1,315,288	(59,822)	20,386	(702,850)	(1)	573,001
Profit for the half year		-	-	-	18,928	(42)	18,886
Other comprehensive loss		-	-	(60)	-	-	(60)
Total comprehensive income for the half year		-	-	(60)	18,928	(42)	18,826
Transactions with owners in their capacity as owners:							
Movements in:							
- Employee shares exercised	10(b)	-	2,226	-	-	-	2,226
- Share-based remuneration plans		-	-	1,278	-	-	1,278
- Contributed equity	10	(1,115)	1,115	-	-	-	-
Share buy-back	10	(9,942)	(3,950)	-	-	-	(13,892)
Dividends paid	4	-	-	1,700	(32,669)	-	(30,969)
Dividends applied to equity compensation plan		-	-	(385)	-	-	(385)
		(11,057)	(609)	2,593	(32,669)	-	(41,742)
Balance at 31 July 2015		1,304,231	(60,431)	22,919	(716,591)	(43)	550,085

Notes appearing on pages 14 to 21 are to be read as part of these consolidated interim financial statements.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

1. Basis of financial report preparation and significant accounting policies

(a) Statement of compliance

The interim report is a general purpose financial report 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'. The interim 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 Pharmaceuticals Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(b) Basis of preparation

The condensed interim 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 ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are 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 significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are consistent with those adopted and disclosed in the company's 2015 annual financial report for the financial year ended 31 January 2015.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

AASB 2014-1 Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles] (effective 1 July 2014)

The Annual Improvements 2010-2012 has made a number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.
- The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
- The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

(b) Basis of preparation (continued)

- The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
- The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required

The Annual Improvements 2011-2013 has made a number of amendments to various AASBs, which are summarised below.

- The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.
- The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.
- The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:
 - the property meets the definition of investment property in terms of AASB 140; and
 - the transaction meets the definition of a business combination under AASB 3.

The application of these amendments does not have any material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2. Segment information

Information on segments

AASB 8 Operating Segments requires a management approach under which segment information is presented on the same basis as that used for internal reporting provided to the Chief Operating Decision Makers (CODM) of the Group. The CODM have been identified as the executive team consisting of our Chief Executive Officer and Managing Director (CEO), Chief Operating Officer (COO) and the Chief Financial Officer (CFO).

For the period ended 31 July 2015 management determined that based on the structure of reports provided to the CODM and used by them for decision making and resource allocation, that the Group operates only the Healthcare segment.

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.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

2. Segment information (continued)

Information on major customers

One customer group contributes revenue that forms 38% of the Group revenues. This customer has a long standing relationship with Sigma and a service contract is in place until October 2015. Sales revenue for the half year ended 31 July 2015 was \$634m (2014: \$552m).

	Note	31 July 2015 \$'000	31 July 2014 \$'000
3. Profit for the half year			
Profit before income tax expense has been determined after including:			
Write down of inventories to net realisable value		1,259	1,653
Loss on disposal of property, plant and equipment and intangible assets		23	-
Net impairment loss/(reversal) on trade debtors		341	(4)
Depreciation and amortisation:			
Depreciation of property, plant and equipment	5	2,744	2,576
Amortisation of intangible assets	6	1,167	1,045
Amortisation of other intangibles associated with prior year acquisitions	6	940	-
Total depreciation and amortisation		4,851	3,621

		31 July 2015 \$'000	31 July 2014 \$'000
4. Dividends			
Dividends paid during the half year			
Dividends recognised by the parent entity		32,802	22,501
Less: dividends paid on shares held by Sigma Employee share plan		(133)	-
		32,669	22,501
Less: dividends paid on shares issued under the Employee share plan		(1,700)	(993)
Dividends paid by the group		30,969	21,508

Subsequent events

Since the end of the half year a fully franked interim dividend of 2.0 cents per share has been declared by the Directors (See Note 12).

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

5. Property plant and equipment

	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
At 31 January 2015			
Cost	34,322	69,412	103,734
Accumulated depreciation	(7,686)	(38,332)	(46,018)
Net book amount	26,636	31,080	57,716
Half year ended 31 July 2015			
Opening net book amount	26,636	31,080	57,716
Additions	390	2,402	2,792
Transfer of completed projects	31	(31)	-
Transfer to intangible software	-	(104)	(104)
Disposals	-	(23)	(23)
Depreciation	(243)	(2,501)	(2,744)
Closing net book amount	26,814	30,823	57,637
At 31 July 2015			
Cost	34,743	71,536	106,279
Accumulated depreciation	(7,929)	(40,713)	(48,642)
Net book amount	26,814	30,823	57,637

6. Goodwill and intangible assets

	Brand names \$'000	Software \$'000	Goodwill \$'000	Other intangibles ^A \$'000	Total \$'000
At 31 January 2015					
Cost	24,459	11,966	75,217	-	111,642
Accumulated amortisation	(10,764)	(2,617)	-	-	(13,381)
	13,695	9,349	75,217	-	98,261
Half year ended 31 July 2015					
Opening net book amount	13,695	9,349	75,217	-	98,261
Transfer from property, plant and equipment	-	104	-	-	104
Transfer from goodwill to brand names and others	1,258	-	(2,198)	940	-
Additions	-	13	-	-	13
Foreign currency movements	(106)	-	-	-	(106)
Amortisation	(251)	(916)	-	(940)	(2,107)
Closing net book amount	14,596	8,550	73,019	-	96,165
At 31 July 2015					
Cost	25,446	12,083	73,019	940	111,488
Accumulated amortisation	(10,850)	(3,533)	-	(940)	(15,323)
Closing net book amount	14,596	8,550	73,019	-	96,165

^AOther Intangibles includes customer relationship and supplier contracts

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

6. Goodwill and intangible assets (continued)

Impairment of goodwill

Goodwill is not amortised and is tested at least annually for impairment. The annual review performed 31 January 2015, determined that the acquisition value was a reliable estimate of a fair value less cost to sell basis. 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. Associates

	31 July 2015 \$'000	31 January 2015 \$'000
Interests in associates	8,132	7,934

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest held by the Group	
			31 July 2015	31 January 2015
NostraData Pty Ltd	Collation and sale of data	Australia	51%	51%

The above associate is accounted for using the equity method in these consolidated financial statements.

The Group acquired 51% of the ordinary shares for \$7,940,000 on the 12 November 2014. Although the Group holds the majority of the shares, the acquired shares are non-voting and there are restrictions in the shareholder agreement that prevents the Group from directing the activities of the associate.

The following table analyses, in aggregate, the carrying amount and share of profit or loss and other comprehensive income of the associates.

	31 July 2015 \$'000	31 January 2015 \$'000
Carrying amount of interest in associates	8,132	7,934
Share of :		
- Profit/(Loss) from continuing operations for the period	198	(6)

As at 31 July 2015, the Group has a commitment to acquire an additional 24% of the ordinary shares of NostraData Pty Ltd on 31 December 2016.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

8. Business combinations

2014	Principal activity	Date of acquisition	Proportion of shares acquired (%)	Total consideration (\$'000)
Central Healthcare Pty Ltd, Central Healthcare Services Pty Ltd, PriceSave Pty Ltd and PharmaSave Australia Pty Ltd, collectively known as "Central Healthcare Group"	Central Healthcare Group is a wholesaler and distributor of pharmaceutical products to hospitals and retail pharmacies and is an approved CSO distributor in Victoria, NSW, ACT and Queensland. Central Healthcare also owns and manages the PharmaSave brand.	26 May 2014	100%	46,514
Discount Drugstores Pty Ltd (DDS)	Discount Drugstores Pty Ltd is a discount pharmacy banner group providing buying and retail services to members.	25 September 2014	100%	48,653
Member Benefits Australia Pty Ltd	Member Benefits Australia Pty Ltd provides products and services to their client's members on beneficial terms.	1 September 2014	51%	nil

(a) Consideration transferred

	Note	Central Healthcare Group \$'000	Discount Drugstores Pty Ltd \$'000	Total \$'000
Cash paid		17,927	32,055	49,982
Initial contingent consideration	8(a)(i)	23,373	14,028	37,401
Initial consideration at acquisition date		41,300	46,083	87,383
Earn out adjustment	8(a)(ii)	5,214	2,570	7,784
Total consideration		46,514	48,653	95,167

(i) Contingent consideration

The Group has agreed to pay the previous owners of Central Healthcare Group and Discount Drugstores Pty Ltd additional consideration based on the EBITDA achieved over the period 1 July 2014 to 30 June 2015. The contingent consideration was based on the estimated EBITDA for the 12 months ending 30 June 2015 times a multiple stipulated in the sale agreement.

(ii) Earn out adjustment

Based on the actual performance of CHS and DDS for the 12 month period ended 30 June 2015, a final earn out of \$45,185,000 is payable to CHS and DDS. The differential of \$7,784,000 is recognised as a liability at 31 July 2015 and included in the profit or loss in the current period.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

9. Borrowings

	31 July 2015 \$'000	31 January 2015 \$'000
Current		
Secured loans	60,011	-
Unsecured loans	300	291
Total current borrowings	60,311	291
Non-current		
Secured loans	47	63
Unsecured loans	124	276
Total non-current borrowings	171	339

(a) Current borrowings

Westpac Receivables Purchase Agreement

The Company by executing the "Receivables Purchase Agreement dated 28 January 1999" ("RPA") and amended as part of the "Sigma Amendment Agreement No. 8" dated 5 June 2014, has a debtor securitisation facility with Westpac Banking Corporation, expiring on 5 February 2016. The debtor securitisation facility is \$175 million and the term is two years and is split into an overdraft facility of \$80 million and a revolving facility of \$95 million. The facility has been refinanced on the same terms and conditions as the previous facility.

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 RPA. Repayment of the Westpac advances occurs from the collection of the underlying receivables.

The facility imposes rights and obligations on Sigma with respect to the quality and maintenance of its debtor book, collection of receivables, settlement and reporting to Westpac. As at the half year ended 31 July 2015, Sigma has complied with its obligations under the facility. The interest rate applicable to the facility is variable and Sigma does not hedge the interest rate.

Sigma rewards structure

The consolidated group operates a debtor securitisation programme. This programme allows Sigma 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 (Westpac). Accordingly, the debtors are recorded off balance sheet. The cost associated with this programme is treated as "administration expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

Unsecured loans

As part of the acquisition of the Central Healthcare Group (comprised of Central Healthcare Pty Ltd, Central Healthcare Services Pty Ltd, PriceSave Pty Ltd and PharmaSave Australia Pty Ltd), the Group acquired an interest bearing three year loan of \$653,000, which has been used to fund a loan to a customer on a back to back basis. At 31 July 2015, the balance of the loan outstanding is \$326,000, of which \$300,000 has been classified as current (payable within 12 months) and \$26,000 has been classified as non-current.

(b) Non-current borrowings

Secured loan

As part of Member Benefits Australia Pty Ltd acquisition, the Group acquired an interest bearing car loan of \$96,000. At 31 July 2015, the balance of the loan is \$58,000, of which \$11,000 has been classified as current (payable within 12 months) and \$47,000 has been classified as non current.

Unsecured loans

As part of Member Benefits Australia Pty Ltd acquisition, the Group acquired a non interest bearing loan of \$98,000.

Condensed notes to the consolidated financial statements

Sigma Pharmaceuticals Limited

For the half year ended 31 July 2015

10. Contributed equity

	2015	2014	2015	2014
(a) Movement in ordinary share capital during the half year	Shares	Shares	\$'000	\$'000
Shares forfeited under the Employee loan funded share plans	(1,582,605)	(1,378,592)	(1,115)	(195)
Shares issued under the Employee loan funded share plans	1,582,605	1,378,592	-	820
New shares issued	-	5,072,476	-	3,018
Share buy-back	(12,510,122)	(16,940,144)	(9,942)	(11,979)
	<u>(12,510,122)</u>	<u>(11,867,668)</u>	<u>(11,057)</u>	<u>(8,336)</u>
	2015	2014	2015	2014
(b) Movement in treasury share capital during the half year	Shares	Shares	\$'000	\$'000
Shares forfeited under the Employee loan funded share plans	1,582,605	1,378,592	1,115	195
Shares issued under the Employee loan funded share plans	(1,582,605)	(1,378,592)	-	(820)
Shares issued under short term incentive	432,559	1,007,593	-	-
Shares issued to the Employee loan funded share plans	-	(5,072,476)	-	(3,018)
Shares bought on market	(5,000,000)	(3,000,000)	(3,950)	(2,064)
Employee shares exercised	3,900,956	4,410,247	2,226	2,314
	<u>(666,485)</u>	<u>(2,654,636)</u>	<u>(609)</u>	<u>(3,393)</u>
(c) Total movement in contributed equity			<u>(11,666)</u>	<u>(11,729)</u>

11. Contingent Liability

A contingent liability exists in respect of the insurer's right, in certain circumstances to clawback insurance proceeds received in relation to the shareholder class action brought by Slater & Gordon on behalf of certain shareholders who purchased shares in Sigma between 7 September 2009 and 25 February 2010.

12. Events subsequent to balance date

Subsequent to 31 July 2015 the following events and transactions have occurred:

Dividends

Since the end of the half year, the Board of Directors has resolved to pay a fully franked interim dividend of 2.0 cents per share to be paid on 7 October 2015 to shareholders on the register at the ex-dividend date of 23 September 2015. The total amount payable for these dividends \$21,618,000.

Other than the matters discussed above, there has not been any other matter or circumstances that have arisen since 31 July 2015 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.

Directors' Declaration

Sigma Pharmaceuticals Limited

In the opinion of the Directors of Sigma Pharmaceuticals Limited:

- a) the financial statements and notes set out on pages 10 to 21 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 2015 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 Pharmaceuticals 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
09 September 2015

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

We have reviewed the accompanying half-year financial report of Sigma Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 July 2015, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the 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 22.

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 2015 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 Pharmaceuticals 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 Pharmaceuticals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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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 Pharmaceuticals 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 2015 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



Tom Imbesi
Partner
Chartered Accountants
Melbourne, 9 September 2015

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