

Appendix 4D

Half Year Financial Report

Name of entity:	Sigma Healthcare Limited
ABN:	15 088 417 403
Reporting period:	Half year ended 31 July 2024
Previous period:	Half year ended 31 July 2023

The information contained in this report should be read in conjunction with the most recent annual financial report for the year ended 31 January 2024.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half year ended 31 July 2024 \$'000	Half year ended 31 July 2023 \$'000	Change Increase / (Decrease) \$'000	Change %
Sales revenue from ordinary activities	1,840,327	1,681,771	158,556	Up 9.4%
Net profit after tax	4,239	11,697	(7,458)	Down 63.8%
Net profit after tax attributable to owners of the Company	3,716	11,229	(7,513)	Down 66.9%

NET TANGIBLE ASSET PER SECURITY

	31 July 2024 \$'000	31 July 2023 \$'000	Change %
Net tangible assets backing per ordinary share (cents per share) ¹	46.7	34.8	Up 34.2%

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

DIVIDENDS

Since the end of the half year financial period, the Directors have resolved to pay an interim dividend of 0.50 cents per share unfranked, accordingly this dividend is not provided for in the balance sheet at 31 July 2024. The ex-dividend date is 1 October 2024, the record date is 2 October 2024 and it is expected to be paid on 17 October 2024.

Dividend	Amount per security	Franking percentage
Interim dividend – year ending 31 January 2025	0.50c	0%
Final dividend – year ended 31 January 2024	0.50c	50%
Interim dividend – year ended 31 January 2024	0.50c	100%

DIVIDEND REINVESTMENT PLAN

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

Appendix 4D

For the half year ended 31 July 2024

DETAILS OF CONTROLLED ENTITIES

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

ASSOCIATES / JOINT VENTURE ENTITIES

Not applicable.

OTHER INFORMATION

This report is based on the condensed consolidated financial statements which have been reviewed by Deloitte Touche Tohmatsu. The half year financial report is not subject to a modified conclusion, 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 2024/25 Half Year Results Presentation and the Sigma 2024/25 Half Year ASX Release lodged with the ASX. This report is to be read in conjunction with the annual report for the year ended 31 January 2024 and any public announcements made by Sigma Healthcare Limited during the half year.

SHAREHOLDER INFORMATION

Sigma will host a presentation to analysts and media on Wednesday, 25 September 2024 at 10.00am AEST with all presentation material posted to Sigma's website (www.sigmahealthcare.com.au)

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

+61 3 9215 9215

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Sigma Healthcare Limited
Financial Report
For the Half Year Ended 31 July 2024

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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 2024 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*.

Directors' Report

For the half year ended 31 July 2024

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

Directors

The names of the Directors of the Company during the half year reporting period and until the date of this report were (unless otherwise stated):

Mr M Sammells
Mr V Ramsunder
Ms K Spargo
Mr N Mitchell
Ms A Carey
Dr C Roberts

Review of operations

A review of the operations of the Group for the half year is set out in the Sigma 2024/25 Half Year Results Presentation and the Sigma 2024/25 Half Year ASX Release lodged with the ASX and below.

Operating review

Sigma Healthcare Limited has reported statutory Net profit after tax attributable to the owners of the Company ("NPAT") of \$3.7 million for the half-year ended 31 July 2024, down 66.9% on the prior corresponding period (pcp). The decrease in NPAT was attributable to the \$8.0 million in one-off costs incurred in relation to the Chemist Warehouse Group (CWG) merger proposal and \$2.0 million in upfront costs incurred in preparation for the commencement of the CWG supply contract. The NPAT for the prior period benefited from a \$7.8 million impact on the divestment of the hospital operations business. Adjusting for these, Normalised NPAT increased by \$10.3 million to \$13.7 million (1H24: \$3.4 million).

Following a period of strong strategic execution, the Group now has a pipeline of growth in what is a competitive but defensive market segment. We began to see the revenue benefits of securing a new 5-year CWG supply contract. The Company has the existing infrastructure to efficiently absorb volume growth while retaining capacity for future expansion without major capital expenditure requirements.

Some of the key features of the result include:

- By 1 July 2024 we successfully onboarded and operationalised the new CWG 5-year supply contract that will contribute \$3.0 billion in annualised revenue, with approximately \$2.0 billion per annum in new revenue to the Group;
- Demonstrated our ability to cost-efficiently absorb the anticipated 40% increase in volume on an annualised basis;
- Group revenue rose 9.4% to \$1.84 billion as the benefits of the new CWG supply contract began to flow through; and
- Like for like sales are up 13% in our Amcal and Discount Drug Store brands as we continue to execute our retail brand strategy.

Group Revenue of \$1.84 billion was up 9.4% on a statutory basis and 17.3% on a normalised basis, after adjusting for the discontinued hospital revenue of \$113.4 million in the pcp. Growth was achieved in the core wholesaling business, including one month's contribution from the new CWG supply contract.

The Group's franchise brands, Amcal and Discount Drug Stores, have achieved like for like sales growth of 13% for the first half. The performance reflects a strong core brand network that continues to execute the brand values in support of their communities. This provides a quality base from which the Company can invest in and grow the network as we target brand membership of 300 Amcal pharmacies and 150 Discount Drug Stores over the medium-term. Our brands were recently recognised by consumers, with Amcal being awarded Canstar Blue's 2024 Most Satisfied Customer Award (Pharmacies), with Discount Drug Stores the runner up.

High standards of customer service were again demonstrated through our operations. The focus of the business was to ensure that excellent customer service metrics were backed by a strong in-stock position for all our customers as we prepared for the new CWG supply contract. Pleasingly, this was achieved with no disruption to our business as evidenced by the Delivery in Full (DIF) to customers and Despatch on Time (DOT) metrics averaging above 99%.

The performance across our logistics network was attributed to improved productivity through disciplined execution, resulting in reduced per unit operating costs which helped to offset inflationary cost pressures. Our distribution centre network was purpose-built to absorb volume and this was demonstrated by the Company's ability to efficiently absorb a 9% increase in outbound volume during the half whilst costs were held relatively flat, driving improved returns through operating leverage.

Annualised volume in core pharmacy wholesaling is expected to increase by over 40% above FY24. This should significantly improve the Company's fixed cost absorption and underpin earnings growth in the year ahead. After including the new CWG supply contract volume, the Company anticipates around 35% available capacity to absorb future growth ambitions without the need for major capital investment.

Sales of private and exclusive label (PEL) products remained sub-scale in the first half, however, continues to be an important part of our ongoing strategy to deliver enhanced margin for the Group and our branded pharmacies, and affordable quality for consumers. 32 PEL products were launched in 1H25, with approximately 220 PEL products expected to launch in 2H25 delivering positive momentum into FY26.

Third party logistics (3PL) also remains a key part of the Group's strategy to diversify our earnings and grow our margins. Last year we completed the build of our 3PL storage capacity to 50,000 pallets across six states and affirmed our capability through ISO 9001 accreditation. In 1H25 we moved over 65 million units and whilst capacity utilisation is approximately 45% currently, we have contracts in place to build momentum into FY26.

With the volume growth now in place to underpin our wholesaling business model, our focus remains on growing our brands, diversifying our earnings and implementing transformational change for the long-term benefit of the Company's shareholders.

Directors' Report

For the half year ended 31 July 2024

The Australian Competition and Consumer Commission (ACCC) has indicated 24 October 2024 as the possible date for an announcement on the proposed merger with CWG. The Group is engaging with the ACCC to support a deep understanding of our industry and the competitive landscape in which we operate. The Group continues to cooperate closely with the ACCC to address the matters raised in the Statement of Issues.

Financial performance

Highlights:

- Sales revenue \$1.84 billion (+9.4%)
- Statutory EBITDA \$20.0 million (-45.7%)
- Statutory NPAT attributable to owners of the Company \$3.7 million
- Interim dividend of 0.5 cents per share unfranked

\$'000	Group		
	1H25	1H24	Change %
Sales revenue	1,840,327	1,681,771	9.4%
EBITDA	19,956	36,719	(45.7%)
Depreciation and amortisation	(13,096)	(14,325)	(8.6%)
EBIT	6,860	22,394	(69.4)
Net finance income / (costs)	1,287	(8,334)	(115.4%)
Tax	(3,908)	(2,363)	65.4%
Statutory net profit	4,239	11,697	(63.8%)
NPAT attributable to the owners of the Company	3,716	11,229	(66.9%)
Earnings per share (cents) attributable to the owners of the Company			
Basic/diluted earnings per share	0.2	1.1	

The Group recorded an increase in sales revenue of 9.4% to \$1.84 billion in the interim period. NPAT was \$3.7 million for the half-year ended 31 July 2024 which was a decrease of 66.9% on the pcp. The profit for the interim period was impacted by transaction costs associated with the proposed merger as well as upfront costs incurred in preparing for the start of the CWG supply contract.

Group Revenue was \$1.84 billion, up 9.4% on a statutory basis against the pcp, and up 17.3% on a normalised basis, reflecting year on year growth in the existing core business, including one month's contribution from the new CWG supply contract with sales mix returning to pre Covid levels. This was partly offset by the sale of the hospitals business that contributed \$113.4 million in discontinued revenue in the comparative period, and the impact of PBS pricing reductions and store transitions.

On a normalised basis, after adjusting for the discontinued hospitals business in the comparative period, total wholesale sales were up 17.3% to \$1.77 billion.

NPAT of \$3.7 million was recorded for the half, down from \$11.2 million in 1H24. Profitability in 1H25 was impacted by non-recurring merger related transaction costs and upfront costs incurred in preparation for the commencement of the new CWG supply contract. This was offset by interest income derived in the half following the \$400 million equity raise completed in January 2024 that strengthened the Group's Balance Sheet.

Statutory EBIT of \$6.9 million in 1H25 was impacted by \$8.4 million in one-off costs incurred in relation to the merger proposal and \$2.8 million in upfront costs incurred in preparation for the commencement of the CWG supply contract.

Adjusting for these, Normalised EBIT for 1H25 was \$18.0 million, up 20.6% on 1H24, with Normalised NPAT up over 300% to \$13.7 million.

Gross Profit was up 8.8% for 1H25, however GP margin as a percentage of revenue was down 0.1% to 6.5%, a reflection of the shift in product mix during the period, the impact of ongoing PBS government price reform and the competitive landscape.

Statutory operating expenses for 1H25 of \$140.2 million were up 10.4% on 1H24, including the merger costs and upfront costs relating to the CWG supply contract. On a Normalised basis, expenditure for the half was up 2.4% relative to 1H24. Warehouse and logistics costs were flat despite revenue being up 9.4% with an additional 9.8 million units distributed during the period.

Depreciation and amortisation was \$13.1 million for the half, down \$1.2 million compared to 1H24, benefitting from the Group now being largely ex-Capex.

Net finance income for the half was \$1.3 million (1H24: net finance cost of \$8.3 million), reflecting the cash balance from the proceeds of the \$400 million equity raise completed at the end of FY24.

Financial position

The Group's net assets at 31 July 2024 remained in line with the end of FY24 standing at \$871.7 million (FY24: \$872.6 million).

Working capital has increased by 39% since 31 January 2024 to \$308.2 million mainly driven by the investment in inventory for the new CW supply contract.

Directors' Report

For the half year ended 31 July 2024

The Group's net cash position, as measured by cash and cash equivalents less gross borrowings, declined \$122.3 million to \$234.2 million at 31 July 2024, driven by negative cash flows from operations attributed to the investment in inventory in advance of the new CWG supply contract. Bank debt remains nil as at the end of the period with total undrawn debt facilities of \$500 million available.

Material risks

There has not been a material change in the Group's risk profile since 31 January 2024. Details of the Group's risks are outlined in the operating and financial review in the 31 January 2024 annual financial report.

Subsequent events

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

Dividend

Since the end of the half year financial period, the Directors have resolved to pay an interim dividend of 0.50 cents per share unfranked. Accordingly, this dividend is not provided for in the balance sheet at 31 July 2024. The ex-dividend date is 1 October 2024, the record date is 2 October 2024 and it is expected to be paid on 17 October 2024. The total estimated amount payable is \$8.2 million.

Sigma Rewards Facility

In August 2024 the Group voluntarily terminated its Sigma Rewards Facility. The voluntary closure of this facility does not impact the Group's available debt funding facilities or headroom. The Sigma Rewards program continues to operate for eligible customers and is unaffected by the voluntary termination of the Sigma Reward debt facility.

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 condensed consolidated financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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 7.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*, dated 25 September 2024.



Michael Sammells
Chairman

Melbourne,
25 September 2024



Vikesh Ramsunder
CEO and Managing Director

25 September 2024

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

Dear Board Members

Auditor's Independence Declaration to Sigma Healthcare Limited

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

As lead audit partner for the review of the financial statements of Sigma Healthcare Limited for the half-year ended 31 July 2024, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Delaney

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Partner
Chartered Accountants

Condensed consolidated statement of comprehensive income

For the half year ended 31 July 2024

	Note	31 July 2024 \$'000	31 July 2023 \$'000
Sales revenue	4	1,840,327	1,681,771
Cost of goods sold		(1,720,438)	(1,571,549)
Gross profit		119,889	110,222
Other revenue	4	40,239	53,490
Warehousing and delivery expenses		(70,520)	(70,426)
Sales and marketing expenses		(22,127)	(18,570)
Administration expenses		(47,525)	(37,997)
Depreciation and amortisation	3	(13,096)	(14,325)
Profit before finance costs and income tax (EBIT)		6,860	22,394
Finance income		7,121	624
Finance costs	3	(5,834)	(8,958)
Net finance income / (costs)		1,287	(8,334)
Profit before income tax		8,147	14,060
Income tax expense		(3,908)	(2,363)
Profit for the half year		4,239	11,697
Other comprehensive income / (loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(23)	7
Income tax relating to components of other comprehensive income		7	(2)
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in fair value of equity instruments		2,081	(1,116)
Income tax relating to components of other comprehensive income		(624)	335
Other comprehensive income / (loss) for the half year (net of tax)		1,441	(776)
Total comprehensive income for the half year		5,680	10,921
<i>Profit attributable to:</i>			
Owners of the Company		3,716	11,229
Non-controlling interest		523	468
Profit for the half year		4,239	11,697
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		5,157	10,453
Non-controlling interest		523	468
Total comprehensive income for the half year		5,680	10,921
		Cents per share	Cents per share
Earnings per share (cents) attributable to owners of the Company			
Basic earnings per share		0.2	1.1
Diluted earnings per share		0.2	1.1

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 2024

	Note	31 July 2024 \$'000	31 January 2024 \$'000
Current assets			
Cash and cash equivalents		234,158	356,496
Trade and other receivables		589,023	317,059
Inventories		372,704	221,129
Income tax receivable		5,628	2,906
Prepayments		10,425	8,206
Other current assets	12	4,800	-
Assets held for sale	11	6,646	6,704
Total current assets		1,223,384	912,500
Non-current assets			
Trade and other receivables		10,801	7,667
Property, plant and equipment	6	183,861	188,624
Goodwill and other intangible assets	7	109,434	110,253
Right-of-use assets	8	83,864	83,152
Other financial assets		15,703	13,622
Other non-current assets	12	18,800	-
Net deferred tax assets		56,905	62,094
Total non-current assets		479,368	465,412
Total assets		1,702,752	1,377,912
Current liabilities			
Trade and other payables		675,406	353,571
Lease liabilities	8	13,326	9,789
Provisions		10,145	7,356
Deferred income		669	141
Other current liabilities		1,517	-
Liabilities held for sale	11	467	423
Total current liabilities		701,530	371,280
Non-current liabilities			
Lease liabilities	8	124,311	126,842
Provisions		5,206	7,179
Total non-current liabilities		129,517	134,021
Total liabilities		831,047	505,301
Net assets		871,705	872,611
Equity			
Contributed equity	10	1,638,385	1,637,023
Reserves		5,311	2,923
Accumulated losses		(773,743)	(769,176)
Non-controlling interest		1,752	1,841
Total equity		871,705	872,611

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 2024

	Note	Contributed equity		Reserves						Total equity
		Issued capital	Treasury shares	Fair value reserve	Foreign currency translation reserve	Options / performance rights reserve	Employee share reserve	Accumulated losses	Non-controlling interest	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 February 2023		1,286,144	(51,682)	(1,712)	223	3,152	1,380	(761,587)	1,848	477,766
Profit for the half year		-	-	-	-	-	-	11,229	468	11,697
Other comprehensive income / (loss)		-	-	(781)	5	-	-	-	-	(776)
Total comprehensive income / (loss) for the half year		-	-	(781)	5	-	-	11,229	468	10,921
Transactions with owners in their capacity as owners:										
Employee shares exercised		-	1,305	-	-	-	-	-	-	1,305
Share-based remuneration plans		-	-	-	-	1,418	-	-	-	1,418
Dividends paid	5	-	-	-	-	-	116	(5,101)	(809)	(5,794)
Dividends applied to equity compensation plan		-	-	-	-	-	(210)	-	-	(210)
Reclassification of settled and expired share-based transactions		-	2,410	-	-	(2,030)	(216)	(164)	-	-
		-	3,715	-	-	(612)	(310)	(5,265)	(809)	(3,281)
Balance at 31 July 2023		1,286,144	(47,967)	(2,493)	228	2,540	1,070	(755,623)	1,507	485,406
Balance at 1 February 2024		1,682,372	(45,349)	(2,083)	231	3,745	1,030	(769,176)	1,841	872,611
Profit for the half year		-	-	-	-	-	-	3,716	523	4,239
Other comprehensive income / (loss)		-	-	1,457	(16)	-	-	-	-	1,441
Total comprehensive income / (loss) for the half year		-	-	1,457	(16)	-	-	3,716	523	5,680
Transactions with owners in their capacity as owners:										
Employee shares exercised	10(b)	-	847	-	-	-	-	-	-	847
Share-based remuneration plans		-	-	-	-	1,191	-	-	-	1,191
Dividends paid	5	-	-	-	-	-	87	(7,973)	(613)	(8,499)
Dividends applied to equity compensation plan		-	-	-	-	-	(125)	-	-	(125)
Reclassification of settled and expired share-based transactions		-	515	-	-	(140)	(65)	(310)	-	-
		-	1,362	-	-	1,051	(103)	(8,283)	(613)	(6,586)
Balance at 31 July 2024		1,682,372	(43,987)	(626)	215	4,796	927	(773,743)	1,751	871,705

All items in the condensed 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 condensed consolidated financial statements.

Condensed consolidated statement of cash flows

For the half year ended 31 July 2024

	Note	31 July 2024 \$'000	31 July 2023 \$'000
Cash flows from operating activities			
Receipts from customers		1,804,059	1,924,593
Payments to suppliers and employees		(1,909,837)	(1,918,320)
Interest received		7,121	624
Interest paid		(6,665)	(6,566)
Income taxes paid		(2,073)	(2,020)
Net cash outflow from operating activities		(107,395)	(1,689)
Cash flows from investing activities			
Payments for property, plant and equipment, software and intangibles		(2,126)	(1,152)
Proceeds from disposal of property, plant and equipment, software and intangibles		-	560
Net cash outflow from investing activities		(2,126)	(592)
Cash flows from financing activities			
Payments of lease liabilities		(5,036)	(8,353)
Proceeds from employee shares exercised		722	1,249
Dividends paid – Sigma	5	(7,886)	(4,985)
Dividends paid – non-controlling interests	5	(613)	(809)
Net cash outflow from financing activities		(12,813)	(12,898)
Net decrease in cash and cash equivalents			
		(122,334)	(15,179)
Cash and cash equivalents held at the beginning of the financial period		356,496	12,969
Effects of exchange rate changes on cash and cash equivalents		(4)	3
Net cash and cash equivalents at the end of the financial period		234,158	(2,207)

Net cash and cash equivalents include cash and cash equivalents and bank overdraft as reported in the condensed consolidated balance sheet.

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

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

1. Basis of financial report preparation and significant accounting policies

1.1 Statement of compliance

This general purpose financial report for the half year ended 31 July 2024 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 for the year ended 31 January 2024, 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*.

1.2 Basis of preparation

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

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

1.3 Critical accounting estimates and judgments

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 estimates, judgments and assumptions which involve a higher degree of complexity or that have a significant risk of causing a material adjustment to the amounts recognised in the Consolidated Financial Statements, include impairment of goodwill, intangibles and non-current assets (refer to Note 7), and income tax (as discussed below).

1.3.1 Income Tax

Judgement is required in assessing the continued recognition of the \$15.8 million revenue losses in deferred tax assets beyond 31 July 2024, which management believes will be utilised in FY25 based on the forecasted cash flows and sufficiency and probability of future taxable profits. Should completion of the proposed merger occur before 1 February 2025 or future taxable profits not meet forecasts, this would result in derecognition of a portion of the deferred tax assets that relate to revenue losses on the basis of being irrecoverable, with a corresponding charge to income tax expense for the unutilised balance at the time of re-assessment.

1.4 New accounting standards and interpretations

The Group has adopted all 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 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 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date
- AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants
- AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback

The adoption of these standards above did not have any material impact on the disclosures or amounts recognised in the condensed consolidated financial statements for the half year ended 31 July 2024.

A number of other new standards and amendments to standards are effective for annual periods beginning after 1 February 2024 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.

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

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 2024, it was concluded that the Group continues to operate only in the Healthcare segment.

The aggregation criteria under AASB 8 *Operating Segments* has been applied to include the results of the operations of Sigma, Sigma Healthcare Logistics, NostraData, and Medication Packaging Systems Australia (MPS) within the Healthcare segment. Sigma, NostraData and MPS are separate cash generating units for impairment testing purposes.

Geographical segments

The Group operates predominantly within Australia.

Information on major customers

Revenue from one customer group contributes 43.5% of the Group's revenues (2023: 31.5%). Sales revenue from this customer group for the half year ended 31 July 2024 was \$801 million (2023: \$530 million).

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

3. Expenses

	Note	31 July 2024 \$'000	31 July 2023 \$'000
Profit before tax includes the following specific expenses:			
Write down of inventories to net realisable value		213	4,339
Net impairment reversal on trade debtors		(1,746)	(2,365)
Finance costs:			
Interest on borrowings		2,506	5,512
Interest – right-of-use-assets	8	3,328	3,446
Total finance costs		5,834	8,958
Depreciation and amortisation:			
Amortisation – brand names		290	241
Amortisation – software		1,417	1,715
Depreciation – buildings	6	836	879
Depreciation – plant and equipment	6	5,222	6,112
Depreciation – right-of-use assets	8	5,331	5,378
Total depreciation and amortisation		13,096	14,325

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

4. Sales and other revenue

	31 July 2024 \$'000	31 July 2023 \$'000
Sales revenue	1,840,327	1,681,771
Other revenue		
Commissions and fees	20,200	20,793
Membership revenue	5,702	6,252
Marketing services and promotional revenue	14,267	16,702
Sundry revenue	70	9,743
Total other revenue	40,239	53,490

Recognition and measurement

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

The presentation of sales revenue and other revenue is consistent with 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 (including customer rebates and discounts) and a provision for returns.	Delivery of goods to customer	Point in time
Community Service Obligations (CSO) income	Income earned from the Government to fulfil minimum delivery requirements for specified medicines to pharmacies in accordance with the Community Pharmacy Agreement ('CPA').	Compliance with obligations of the CPA	Over time

Other Revenue

Revenue stream	Description	Performance obligation	Timing of recognition
Commissions and fees	Fees billed for services performed by the Group, including deliveries of dangerous goods and administration of discounts on products sold, and packaging fees.	Completion of services to be provided	Point in time
Membership revenue	Fees received to provide access to the 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	(i) Revenue from other services provided, including provision of data and other licencing fees; (ii) Sale of assets	(i) Completion of the service requirements; (ii) Transfer of assets to buyer	(i) Over time; (ii) Point in time

Contract costs

The Group provides upfront incentives to franchisees upon signing of the franchise agreement. These costs represent incremental costs of obtaining a contract and are deferred and amortised over the life of the agreements.

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

5. Dividends

	31 July 2024	31 July 2023
	\$'000	\$'000
Dividends paid during the half year:		
Dividends recognised by the parent entity	8,159	5,296
Less: dividends paid on shares held by Sigma employee share plan	(186)	(195)
Less: dividends paid on shares issued under the Sigma employee share plan	(87)	(116)
Dividends recognised by non-controlling interests	613	809
Dividends paid by the group	8,499	5,794

Since the end of the period, an unfranked interim dividend of 0.50 cents per share has been declared by the Directors (see Note 16).

6. Property plant and equipment

	Note	Land and buildings \$'000	Plant and equipment \$'000	Work in progress \$'000	Total \$'000
At 31 January 2024					
Cost		110,122	144,348	1,146	255,616
Accumulated depreciation		(6,712)	(60,280)	-	(66,992)
Net book amount		103,410	84,068	1,146	188,624
Half year ended 31 July 2024					
Opening net book amount		103,410	84,068	1,146	188,624
Additions		-	406	1,181	1,587
Disposals		-	(136)	-	(136)
Depreciation	3	(836)	(5,222)	-	(6,058)
Transfer to assets held for sale		-	(156)	-	(156)
Closing net book amount		102,574	78,960	2,327	183,861
At 31 July 2024					
Cost		110,122	144,462	2,327	256,911
Accumulated depreciation		(7,548)	(65,502)	-	(73,050)
Net book amount		102,574	78,960	2,327	183,861

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

7. Goodwill and intangible assets

Impairment of goodwill, intangible assets and non-current assets

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

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

8. Leases

Right-of-use (ROU) assets

The reconciliation of the written down values at the beginning and end of the current financial half-year is presented below:

	Note	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
At 31 January 2024				
Cost		101,734	5,774	107,508
Accumulated depreciation		(20,194)	(4,162)	(24,356)
Net book amount		81,540	1,612	83,152
Half year ended 31 July 2024				
Opening net book amount		81,540	1,612	83,152
Additions		-	2,469	2,469
Disposals		(85)	-	(85)
Depreciation	3	(4,374)	(957)	(5,331)
Lease modification		3,659	-	3,659
Closing net book amount		80,740	3,124	83,864
At 31 July 2024				
Cost		105,308	8,243	113,551
Accumulated depreciation		(24,568)	(5,119)	(29,687)
Net book amount		80,740	3,124	83,864

Lease liabilities

The movement in lease liabilities from 1 February 2024 to the half-year ended 31 July 2024 is presented below:

	Total \$'000
At 31 January 2024	
Current lease liabilities	9,789
Non-current lease liabilities	126,842
Lease liabilities at 31 January 2024	136,631
Half year ended 31 July 2024	
Opening lease liabilities at 1 February 2024	136,631
Additions	2,469
Disposals	(86)
Interest incurred	3,328
Payments on lease liabilities	(8,364)
Lease modification	3,659
Closing lease liabilities at 31 July 2024	137,637
At 31 July 2024	
Current lease liabilities	13,326
Non-current lease liabilities	124,311
Lease liabilities at 31 July 2024	137,637

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

9. Borrowings

	31 July 2024 \$'000	31 January 2024 \$'000
Current		
Secured bank overdraft	-	-
Total current borrowings	-	-
Non-current		
Secured cash advance facilities	-	-
Total non-current borrowings	-	-

Credit facilities

The Group maintained the following credit facilities:

	31 July 2024		31 January 2024	
	Total facility \$'000	Unused \$'000	Total facility \$'000	Unused \$'000
Credit standby facilities				
Secured bank overdraft facility (Tranche A)	250,000	250,000	135,000	135,000
Secured cash advance facilities (Tranche B)	250,000	250,000	115,000	115,000
Corporate credit card	1,500	1,166	1,500	1,265

Westpac debt facility (Receivables Purchase Facility)

In April 2024, the existing debt facility the Group held with its lender was increased from \$250m to \$500m. Additionally, the tenor was extended by a further one year to 19 November 2026.

The debt facility at 31 July 2024 includes:

- Tranche A – an overdraft facility of \$250 million. This expires 19 November 2026.
- Tranche B – a cash advance facility of \$250 million. This expires 19 November 2026.

Tranche A and Tranche B are secured using eligible trade receivables of Sigma Healthcare Limited and Sigma Healthcare Logistics Pty Ltd. The facility imposes rights and obligations on the Group with respect to the quality and maintenance of the receivables, collection of receivables, settlement and reporting to the financier.

Debtor securitisation program (Sigma Rewards Facility)

The Group operates a debtor securitisation program in connection with the Sigma Rewards Facility. This program allows the Group to receive cash in advance for debtors associated with this program. At the point of receiving cash, the debtors under the Sigma Rewards program are derecognised by the Group as substantially all the risks and rewards of ownership of debtors within the program are transferred to a third party. The costs associated with this program are recorded in "sales and marketing expenses" in the condensed consolidated statement of comprehensive income. The facility expires 19 November 2025 and has a limit of \$15.0 million, with \$10.4 million utilised as at 31 July 2024.

The Sigma Rewards Facility has been voluntarily terminated early, effective from 12 August 2024. The voluntary closure of this facility does not impact the Group's available debt funding facilities or headroom. The Sigma Rewards program continues to operate for eligible customers and is unaffected by the voluntary termination of the Sigma Rewards debt facility.

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

10. Contributed equity

	31 July 2024 \$'000	31 January 2024 \$'000
Issued Capital:		
Ordinary shares fully paid	1,682,372	1,682,372
Issued capital held by equity compensation plan:		
Treasury shares	(43,987)	(45,349)
Total contributed equity	1,638,385	1,637,023

(a) Movements in ordinary share capital

	No. of shares	\$'000
Balance at 31 July 2023	1,059,276,416	1,286,144
Issued during the period	572,589,719	396,228
Balance at 31 January 2024	1,631,866,135	1,682,372
Issued during the period	-	-
Balance at 31 July 2024	1,631,866,135	1,682,372

(b) Movements in treasury share capital

	No. of shares	\$'000
Balance at 31 July 2023	(64,754,617)	(47,967)
Employee shares exercised	3,460,474	852
Reclassification of settled and expired share-based transactions	-	1,766
Balance at 31 January 2024	(61,294,143)	(45,349)
Employee shares exercised	1,128,498	847
Reclassification of settled and expired share-based transactions	-	515
Balance at 31 July 2024	(60,165,645)	(43,987)

11. Assets and liabilities held for sale

	31 July 2024 \$'000	31 January 2024 \$'000
Goodwill and other intangible assets	6,369	6,412
Property, plant and equipment	156	177
Net deferred tax assets	121	115
Assets held for sale	6,646	6,704
Provisions	467	423
Liabilities held for sale	467	423

The Group is currently engaged in a sale process for certain non-core assets. This qualifies certain assets and associated liabilities to be reclassified as held for sale in the consolidated statement of financial position. The value of the assets and liabilities associated with those assets (referred to as a disposal group), have been classified as held for sale. The table above aggregates financial information for the non-core assets, which are individually immaterial to the Group. The proceeds of disposal are expected to exceed the carrying amount of the related net assets and accordingly no impairment losses have been recognised on the classification of these operations as held for sale. The information disclosed reflects the amounts presented in the financial report of the relevant entity.

12. Other assets

	31 July 2024 \$'000	31 January 2024 \$'000
Contract assets	23,600	-
Total other assets	23,600	-

Contract assets include costs to obtain a contract. These costs are expected to be recovered and are therefore initially deferred to the Condensed consolidated balance sheet and then offset against sales revenue on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Notes to the condensed consolidated financial statements

For the half year ended 31 July 2024

13. Expenditure commitments

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

	31 July 2024 \$'000	31 July 2023 \$'000
Capital expenditure contracted but not provided for in the financial report as payable	2,496	2,244
Total expenditure commitments	2,496	2,244

14. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. In addition, during the half year, 3.0 million of rights to Company shares (and the corresponding share-based payment expense of \$474,248) was issued to the CEO and Managing Director, Mr. V. Ramsunder (1.3 million), the CFO, Mr. M. Conway (0.3 million), and other executives (1.4 million).

15. 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.

16. Subsequent events

Dividend

Since the end of the half year financial period, the Directors have resolved to pay an interim dividend of 0.50 cents per share unfranked, accordingly this dividend is not provided for in the balance sheet at 31 July 2024. The ex-dividend date is 1 October 2024, the record date is 2 October 2024 and it is expected to be paid on 17 October 2024. The total estimated amount payable is \$8.2 million.

Sigma Rewards Facility

In August 2024 the Group voluntarily terminated its Sigma Rewards Facility debtor securitisation program. The voluntary closure of this facility does not impact the Group's available debt funding facilities or headroom. The Sigma Rewards program continues to operate for eligible customers and is unaffected by the voluntary termination of the Sigma Rewards debt facility.

Other than the matters discussed above, there has not been any other matter or circumstance that has arisen since 31 July 2024 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 2024

In the opinion of the Directors of Sigma Healthcare Limited:

- a) the financial statements and notes set out on pages 8 to 20 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 2024 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



Michael Sammells
Chairman

Melbourne
25 September 2024



Vikesh Ramsunder
CEO and Managing Director

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

Conclusion

We have reviewed the half-year financial report of Sigma Healthcare Limited (the "Company") and its subsidiaries (the "Group"), which comprises the condensed consolidated balance sheet as at 31 July 2024, 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, notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration as set out on pages 8 to 21.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 July 2024 and of 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) ("the Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' Responsibilities 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 Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 July 2024 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*.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

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Partner

Chartered Accountants

Sydney, 25 September 2024