



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

**Sigma Healthcare Limited**  
 ABN 15 088 417 403

**Reporting period**  
 Half year ended 31 July 2020

**Comparative period**  
 Half year ended 31 July 2019

**Results for announcement to the market**

Group results	31 July 2020 \$000	31 July 2019 \$000	Change %
Sales revenue from ordinary activities	1,642,162	1,877,598	Down 12.5%
Net profit after tax (NPAT)	5,807	2,864	Up 102.8%
NPAT attributable to owners of the Company	4,711	2,519	Up 87.0%
Underlying EBITDA attributable to owners of the Company	34,145	37,009	Down 7.7%
Underlying NPAT attributable to owners of the Company	10,630	11,197	Down 5.1%

**Dividend information**

Since the end of the half year financial period, the Directors have resolved to not pay an interim dividend.

Dividend	Amount per security	Franking percentage
Interim dividend – year ended 31 January 2021	-	-
Final dividend – year ended 31 January 2020	-	-
Interim dividend – year ended 31 January 2020	1.0c	100%

**Net tangible asset per security**

	31 July 2020	31 July 2019	Change (%)
Net tangible asset backing per ordinary share (cents per share)	31.4	33.9	Down 7.4%

**Gain or loss of control over entities**

The Group divested its 51% controlling interest in Member Benefits Australia (MBA), a small subsidiary, during the half year ended 31 July 2020. Refer to Note 11 in the condensed consolidated financial statements.

**Details of associates and joint venture entities**

There are no associates or joint ventures as at 31 July 2020.

**Dividend reinvestment plans**

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

## Appendix 4D

For the half year ended 31 July 2020

### Other information

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

Additional information supporting the Appendix 4D disclosure requirements, including a brief explanation of the figures above, can be found in the Directors' report, notes to the condensed consolidated financial statements in this report, the Sigma 2020/21 Half Year Results Presentation and the Sigma 2020/21 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 2020 and any public announcements made by Sigma Healthcare Limited during the half year.

### Reconciliation of reported and underlying EBIT and EBITDA

	31 July 2020	31 July 2019
	\$000	\$000
<b>Reported EBIT</b>	<b>11,852</b>	12,688
Add: Reported depreciation and amortisation	14,548	12,606
<b>Reported EBITDA</b>	<b>26,400</b>	25,294
<i>Add back:</i>		
Restructuring, transformation and dual operating costs before tax	7,788	18,635
Due diligence, integration and litigation costs / (benefits) before tax	2,302	(6,238)
(Gain) / loss on sale of assets before tax	(1,144)	-
<b>Underlying EBITDA</b>	<b>35,346</b>	37,691
Less: Reported depreciation and amortisation	(14,548)	(12,606)
<b>Underlying EBIT</b>	<b>20,798</b>	25,085
Less: Non-controlling interests before interest and tax	(1,201)	(682)
<b>Underlying EBIT attributable to owners of the Company</b>	<b>19,597</b>	24,403

### Reconciliation of reported and underlying NPAT

	31 July 2020	31 July 2019
	\$000	\$000
<b>Reported NPAT attributable to owners of the Company</b>	<b>4,711</b>	2,519
<i>Add back:</i>		
Restructuring, transformation and dual operating costs after tax	5,452	13,045
Due diligence, integration and litigation costs / (benefits) after tax	1,611	(4,367)
(Gain) / loss on sale of assets after tax	(1,144)	-
<b>Underlying NPAT attributable to owners of the Company</b>	<b>10,630</b>	11,197

### Shareholder information

Sigma will host a presentation to analysts and media on Thursday 10 September 2020 at 10.00am with all presentation material posted to Sigma's website ([www.sigmahealthcare.com.au](http://www.sigmahealthcare.com.au))

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

+61 3 9215 9215

[investor.relations@sigmahealthcare.com.au](mailto:investor.relations@sigmahealthcare.com.au)

# Half year financial report

## For the half year ended 31 July 2020

<b><u>Contents</u></b>	<b><u>Page</u></b>
Directors' report	4
Auditor's independence declaration	9
Condensed consolidated financial statements	
• Condensed consolidated statement of comprehensive income	10
• Condensed consolidated balance sheet	11
• Condensed consolidated statement of changes in equity	12
• Condensed consolidated statement of cash flows	13
Notes to the condensed consolidated financial statements	14
Directors' declaration	23
Independent auditor's report	24

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 2020 and any public announcements made by Sigma Healthcare Limited during the half year in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### **Note regarding non-IFRS financial information**

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

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

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

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

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

# Directors' report

For the half year ended 31 July 2020

The Directors present their report on Sigma Healthcare Limited (the Company) and its controlled entities (the Group) for the half year ended 31 July 2020.

## Directors

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

Mr R Gunston  
Mr M Hooper  
Mr D Bayes  
Mr D Manuel  
Ms K Spargo  
Ms C Bartlett  
Mr M Sammells (commenced 1 February 2020)  
Mr B Jamieson (retired 13 May 2020)

## Review of operations

A review of the operations of the Group for the half year is set out in the Sigma 2020/21 Half Year Results Presentation and the Sigma 2020/21 Half Year ASX Release lodged with the ASX and below.

## Financial performance

The Group reported net profit after tax (NPAT) attributable to owners of the Company for the half year ended 31 July 2020 of \$4,711,000, which was up 87% from the prior period (\$2,519,000). Reported earnings before interest, tax, depreciation and amortisation (EBITDA) of \$26,400,000 was up 4.4% on the prior period (\$25,294,000).

The result in both periods was impacted by non-operating items. For the current year these include:

- expenses of \$7,788,000 before tax (\$5,452,000 after tax) were incurred from the Group's restructuring, transformation and dual operating activities from managing the distribution centre optimisation program and business transformation program (2019: \$18,635,000 before tax).
- expenses of \$2,302,000 before tax (\$1,611,000 after tax) in relation to due diligence and integration activities (2019: \$6,238,000 net benefit which included the receipt of a legal settlement).
- gain on sale of assets of \$1,144,000 before tax (\$1,144,000 after tax) in relation to the disposal of two of the Group's distribution centres in Newcastle (NSW) and Belmont (WA) that were closed last year.

Removing the impact of these adjustments, underlying NPAT attributable to owners of the company was down 5.1% to \$10,630,000 (\$11,197,000 in the prior period). Underlying EBITDA attributable to owners of the company of \$34,145,000 was down 7.7% from \$37,009,000 in the prior period as reported in the below reconciliation.

Included in the result is the impact of accounting for the Group's leases under the new lease standard AASB 16 *Leases*. This had the impact of increasing EBITDA by \$5,390,000 (2019: \$5,767,000), increasing EBIT by \$1,000,000 (2019: \$1,109,000) and decreasing NPAT by \$93,000 (2019: \$12,000).

Reconciliation of reported and underlying EBIT and EBITDA	31 July 2020 \$000	31 July 2019 \$000
<b>Reported EBIT</b>	<b>11,852</b>	12,688
Add: Reported depreciation and amortisation	<b>14,548</b>	12,606
<b>Reported EBITDA</b>	<b>26,400</b>	25,294
<i>Add back:</i>		
Restructuring, transformation and dual operating costs before tax	<b>7,788</b>	18,635
Due diligence, integration and litigation costs / (benefits) before tax	<b>2,302</b>	(6,238)
(Gain) / loss on sale of assets before tax	<b>(1,144)</b>	-
<b>Underlying EBITDA</b>	<b>35,346</b>	37,691
Less: Reported depreciation and amortisation	<b>(14,548)</b>	(12,606)
<b>Underlying EBIT</b>	<b>20,798</b>	25,085
Less: Non-controlling interests before interest and tax	<b>(1,201)</b>	(682)
<b>Underlying EBIT attributable to owners of the Company</b>	<b>19,597</b>	24,403

# Directors' report

For the half year ended 31 July 2020

## Financial performance (continued)

Reconciliation of reported and underlying NPAT	31 July 2020 \$000	31 July 2019 \$000
<b>Reported NPAT attributable to owners of the Company</b>	<b>4,711</b>	<b>2,519</b>
<i>Add back:</i>		
Restructuring, transformation and dual operating costs after tax	5,452	13,045
Due diligence, integration and litigation costs / (benefits) after tax	1,611	(4,367)
(Gain) / loss on sale of assets after tax	(1,144)	-
<b>Underlying NPAT attributable to owners of the Company</b>	<b>10,630</b>	<b>11,197</b>

Sales revenue was \$1,642,162,000, down 12.5% on the prior period of \$1,877,598,000. Adjusting for sales of high cost, low margin Hepatitis C medications, sales revenue was down 11.3%. This result was impacted by a range of contributing factors including:

- a net decrease in volume from the My Chemist/Chemist Warehouse (MC/CW) Group following their exit in July 2019, and subsequent return of their FMCG business;
- reduced prices from ongoing Pharmaceutical Benefits Scheme (PBS) price reform;
- an offsetting increase in retail pharmacy wholesale revenue (excluding MC/CW Group and Hepatitis C) of 15.1% from new and existing customers;
- an offsetting increase in hospitals revenue of 22.0% (excluding Hepatitis C sales) resulting from growth in sales across Victorian, Western Australian and New South Wales;
- an offsetting increase in bulk and export sales and the sale of medical consumables and protective personal equipment.

Gross profit for the period declined by 4.6% to \$121,423,000, compared to \$127,297,000 in the prior period. This movement was driven by the decrease in total sales volume, offset by an increase in gross margin from 6.8% in prior period to 7.4%. Excluding the influence of Hepatitis C sales, underlying gross margin increased from 7.0% in the prior period to 7.5%, with this increase driven by the proportional change in sales mix between PBS and FMCG products, particularly in relation to medical consumables and personal protective equipment.

Other revenue of \$52,860,000 was up 13.9% from \$46,412,000 in the prior period. The result benefited from growth in income from the aged care packaging business, particularly through higher volumes in Victoria, in addition to the gain on sale of the Belmont and Newcastle distribution centres that were closed during 2019. Other revenue also includes the Group's pharmacy brand member fees, rebates, promotional and marketing income and income from data analytics services.

Warehouse and delivery expenses were \$75,339,000, down 7.3% from \$81,265,000 in the prior period. There were several contributing factors to the net movement in this expense, including:

- a net decrease in volume from the MC/CW Group.
- improved efficiency and automation across the distribution network
- a decrease in redundancy, restructuring and dual operating costs associated with the distribution centre optimisation program and business transformation activities
- an offsetting increase in costs associated with the new aged care packaging business in Victoria
- an offsetting increase in payroll costs in accordance with enterprise agreements.

Sales and marketing expenses of \$38,439,000 for the period were up 9.1% from \$35,226,000 in the prior period. The increase is attributable to the additional provision for doubtful debts as at 31 July 2020, offset by a decrease in redundancy and transformation costs associated with the Group's transformation activities.

Administration costs for the half year were up 6.8% to \$34,105,000 (\$31,924,000 in the prior period). The result for 2019 included the receipt of a legal settlement with a third party, excluding this amount, total expenditure has decreased due to lower expenditure associated with the Group's transformation activities.

Depreciation and amortisation expenses of \$14,548,000 were 15.4% higher than \$12,606,000 in the prior period. The increase reflects the commencement of operations at the Group's Kemps Creek (NSW) and Pooraka (SA) distribution centres since the prior period.

Net interest expense of \$5,181,000 was down 32.1% from \$7,633,000 in the prior period. The decrease reflects the lower average monthly debt position held in the current reporting period.

# Directors' report

For the half year ended 31 July 2020

---

## Financial position

The Group's net assets at 31 July 2020 have increased by \$2,494,000 or 0.5% from \$476,740,000 at 31 January 2020 to \$479,234,000. This increase predominantly reflects total comprehensive income for the period.

Working capital (trade receivables and inventory offset by trade creditors) has increased by \$9,372,000 or 4.0% since 31 January 2020 to \$244,771,000. The Cash Conversion Cycle (CCC), being the net of Days Sales Outstanding (DSO), Days Inventory on Hand (DIO) and Days Payable Outstanding (DPO), has increased 3 days to 29 days. Adjusting for Hepatitis C, the CCC increased by 2 days to 29 days. There have been some offsetting movements through working capital, with a net increase associated with the MC/CW Group FMCG volume and higher sales revenue, offset by improvements in inventory efficiency and a decrease in inventory associated with opening the Kemps Creek (NSW) distribution centre in early 2020.

Underlying return on invested capital ("ROIC")<sup>1</sup> for the current period was 6.1% compared to 7.4% for the full year ending 31 January 2020. The decrease reflects the lower underlying EBITDA and higher depreciation, in addition to the current business transformation and investment cycle, with the new distribution centres brought online during the past year now included in capital employed.

<sup>1</sup> Underlying pre-tax ROIC is based on the last 12 months of underlying earnings (underlying EBIT), and net assets adjusted for capital work in progress on the construction of new distribution centres not yet being utilised.

The Group's net debt position has increased to \$179,214,000 at 31 July 2020, from \$145,978,000 at 31 January 2020. This has been driven by the continuing capital works program, offset by positive operating cash flows.

Since the end of the half year, Sigma completed the sale and leaseback of two of its distribution centres for proceeds totalling \$172 million. Part of these proceeds have been used to repay \$75 million of external debt.

## COVID-19

The Group is committed to supporting Government and community efforts to limit the spread of Covid-19. The Group continues to be focused on implementing practices to enable the continued service of customers, their patients and the local community, whilst prioritising the health and well-being of team members and other business stakeholders.

The Group's operations for the half year to 31 July 2020 were impacted by the Covid-19 pandemic and government action to contain the virus.

### Health, safety and well-being

As a result of Covid-19, the Group invested heavily in additional measures to protect the health, safety and well-being of all team members, and visitors to its sites, including:

- Establishing a Covid-19 working group to govern the Covid-19 response plan, Covid-19 risk register and other key matters in responding to the pandemic;
- Additional and intensive cleaning of all offices and distribution centres;
- Additional health and safety practices in line with the Covid-19 response plan, including hygiene protocols, physical distancing, health monitoring, temperature checks and compulsory personal protective equipment for all staff and visitors;
- Increased mental and wellbeing support for all team members;
- Changes to business continuity plans to accommodate risks associated with the pandemic;
- Restrictions on travel, meetings and visitors on site and increased working from home arrangements;
- Additional security and other staff to assist implement Covid-19 compliance activities.

The above measures did not materially impact financial performance for the period, although there was an increase in expenses to accommodate the new measures and IT equipment to support remote working.

# Directors' report

For the half year ended 31 July 2020

---

## COVID-19 (continued)

### Business performance and operations

Performance across the wholesale business was strong with elevated sales from retail pharmacy and hospitals, particularly in March 2020 at the commencement of the strongest national social and travel restrictions. Demand for personal protective equipment (PPE) and medical consumable products was especially high in pharmacies, hospitals and the MIA business.

The retail business was negatively impacted as a result of restrictive measures, most notably from reduced income from marketing and promotional activity. It is expected that part of this shortfall will be recovered during the second half of FY21 due to the rephasing of planned activities.

The provision for expected credit losses has increased as a result of provisions for debtors in areas hardest hit by the impact of the pandemic, such as airports and large shopping centres.

In addition to the above we note the following:

- There were no closures or reduction in operations at the Group's distribution centres.
- The Group did not obtain any government subsidies or concessions associated with responding to the pandemic.

Overall the financial performance of the Group for the half year reflected the net effect of higher sales volumes of medical consumables, outweighing the reduced merchandise and marketing income, higher doubtful debts provision and other operational expenses.

## Material risks

There has not been a material change in the Group's risk profile since 31 January 2020. Details of the Group's risks are outlined in the operating and financial review in the 31 January 2020 financial report.

Consideration of the impact and risks associated with Covid-19 is reported above.

## Subsequent events

Subsequent to 31 July 2020 the following events and transactions have occurred:

### Sales and leaseback transaction

During Q1 2020, Sigma commenced a review for the potential sale and leaseback of its distribution network with the intention of releasing unrecognised value in land and buildings.

On 21 August 2020 Sigma completed the sale and leaseback of two of its distribution centres at Kemps Creek (NSW) and Berrinba (QLD) to LOGOS, for proceeds totalling \$172 million. As part of the agreement, Sigma has entered into a 15-year lease agreement with two five-year options to extend. The annual lease cost during the full first year of the lease is over \$8 million.

At 31 July 2020 the assets subject to sale total a written down value of \$90 million and are reported as "assets classified as held for sale" in Note 6 to the half year report.

The sale and leaseback transaction will be accounted for during the second half of FY2021 and recorded in the year end 31 January 2021 financial report. We note that the Group has unutilised capital tax losses that will be used against any gain on sale associated with the transaction.

### Dividend

Since the end of the half year financial period, the Directors have resolved to not pay an interim dividend.

Other than the matter discussed above, there has not been any other matter or circumstances that have arisen since 31 July 2020 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' report

For the half year ended 31 July 2020

---

## Rounding of amounts

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

## 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.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3) of the *Corporations Act 2001*, dated 9 September 2020.



**Raymond Gunston**  
Chairman



**Mark Hooper**  
Managing Director

Melbourne,  
9 September 2020

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

9 September 2020

Dear Board Members

### **Sigma Healthcare Limited**

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

As lead audit partner for the review of the financial statements of Sigma Healthcare Limited for the half-year ended 31 July 2020, 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



Andrew Reid  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Asia Pacific Limited and the Deloitte Network.

# Condensed consolidated statement of comprehensive income

For the half year ended 31 July 2020

	Note	31 July 2020 \$'000	31 July 2019 \$'000
Sales revenue	4	1,642,162	1,877,598
Cost of goods sold		(1,520,739)	(1,750,301)
<b>Gross profit</b>		<b>121,423</b>	<b>127,297</b>
Other revenue	4	52,860	46,412
Warehousing and delivery expenses		(75,339)	(81,265)
Sales and marketing expenses		(38,439)	(35,226)
Administration expenses		(34,105)	(31,924)
Depreciation and amortisation	3	(14,548)	(12,606)
<b>Profit before finance costs and income tax (EBIT)</b>		<b>11,852</b>	<b>12,688</b>
Finance income		230	386
Finance costs	3	(5,411)	(8,019)
<b>Net finance costs</b>		<b>(5,181)</b>	<b>(7,633)</b>
<b>Profit before income tax</b>		<b>6,671</b>	<b>5,055</b>
Income tax expense		(864)	(2,191)
<b>Profit for the half year</b>		<b>5,807</b>	<b>2,864</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(54)	1
Income tax relating to components of other comprehensive income		-	-
<i>Items that will not be reclassified to profit or loss:</i>			
Net change in fair value of equity instruments		(3,850)	1,083
Income tax relating to components of other comprehensive income		1,171	(325)
<b>Other comprehensive income / (loss) for the half year (net of tax)</b>		<b>(2,733)</b>	<b>759</b>
<b>Total comprehensive income / (loss) for the half year</b>		<b>3,074</b>	<b>3,623</b>
<i>Profit attributable to:</i>			
Owners of the Company		4,711	2,519
Non-controlling interest		1,096	345
<b>Profit for the half year</b>		<b>5,807</b>	<b>2,864</b>
<i>Total comprehensive income attributable to:</i>			
Owners of the Company		1,978	3,278
Non-controlling interest		1,096	345
<b>Total comprehensive income / (loss) for the half year</b>		<b>3,074</b>	<b>3,623</b>
<b>Earnings per share (cents) attributable to owners of the Company</b>			
Basic earnings per share		0.5	0.3
Diluted earnings per share		0.5	0.3

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

# Condensed consolidated balance sheet

As at 31 July 2020

	Note	31 July 2020 \$'000	31 January 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents		19,859	104,232
Trade and other receivables		356,238	296,046
Inventories		304,014	315,493
Income tax receivable		6,352	5,485
Prepayments		7,168	9,708
Assets classified as held for sale	6	89,945	4,981
<b>Total current assets</b>		<b>783,576</b>	<b>735,945</b>
<b>Non-current assets</b>			
Trade and other receivables		789	2,183
Property, plant and equipment	6	191,876	255,924
Goodwill and other intangible assets	7	147,045	135,367
Right-of-use assets	8	38,953	43,431
Other financial assets		10,532	14,221
Net deferred tax assets		24,547	24,996
<b>Total non-current assets</b>		<b>413,742</b>	<b>476,122</b>
<b>Total assets</b>		<b>1,197,318</b>	<b>1,212,067</b>
<b>Current liabilities</b>			
Bank overdraft	9	40,073	-
Trade and other payables		447,932	415,731
Borrowings	9	159,000	135,022
Lease liabilities	8	6,571	7,945
Provisions		18,374	15,829
Deferred income		5,728	1,424
<b>Total current liabilities</b>		<b>677,678</b>	<b>575,951</b>
<b>Non-current liabilities</b>			
Borrowings	9	-	115,188
Lease liabilities	8	39,059	42,052
Provisions		1,347	2,136
<b>Total non-current liabilities</b>		<b>40,406</b>	<b>159,376</b>
<b>Total liabilities</b>		<b>718,084</b>	<b>735,327</b>
<b>Net assets</b>		<b>479,234</b>	<b>476,740</b>
<b>Equity</b>			
Contributed equity	10	1,219,095	1,216,556
Reserves		5,333	13,201
Accumulated losses		(745,486)	(753,803)
Non-controlling interest		292	786
<b>Total equity</b>		<b>479,234</b>	<b>476,740</b>

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 2020

	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	
<b>Balance at 31 January 2019</b>		<b>1,286,244</b>	<b>(78,450)</b>	<b>29</b>	<b>271</b>	<b>5,425</b>	<b>8,107</b>	<b>(708,372)</b>	<b>1,026</b>	<b>514,280</b>
Adjustment on adoption of AASB 16		-	-	-	-	-	-	(4,676)	-	(4,676)
<b>Balance at 1 February 2019</b>		<b>1,286,244</b>	<b>(78,450)</b>	<b>29</b>	<b>271</b>	<b>5,425</b>	<b>8,107</b>	<b>(713,048)</b>	<b>1,026</b>	<b>509,604</b>
Profit for the half year		-	-	-	-	-	-	2,519	345	2,864
Other comprehensive income / (loss)		-	-	758	1	-	-	-	-	759
<b>Total comprehensive income for the half year</b>		<b>-</b>	<b>-</b>	<b>758</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>2,519</b>	<b>345</b>	<b>3,623</b>
<b>Transactions with owners in their capacity as owners:</b>										
Employee shares exercised		-	182	-	-	-	-	-	-	182
Share-based remuneration plans		-	-	-	-	1,493	-	-	-	1,493
Dividends paid	5	-	-	-	-	-	1,254	(20,963)	(490)	(20,199)
Dividends applied to equity compensation plan		-	-	-	-	-	(69)	-	-	(69)
Reclassification of settled and expired share-based transactions		-	69	-	-	(2,384)	(924)	3,239	-	-
		-	251	-	-	(891)	261	(17,724)	(490)	(18,593)
<b>Balance at 31 July 2019</b>		<b>1,286,244</b>	<b>(78,199)</b>	<b>787</b>	<b>272</b>	<b>4,534</b>	<b>8,368</b>	<b>(728,253)</b>	<b>881</b>	<b>494,634</b>
<b>Balance at 1 February 2020</b>		<b>1,286,194</b>	<b>(69,638)</b>	<b>2,171</b>	<b>276</b>	<b>4,732</b>	<b>6,022</b>	<b>(753,803)</b>	<b>786</b>	<b>476,740</b>
Profit for the half year		-	-	-	-	-	-	4,711	1,096	5,807
Other comprehensive income / (loss)		-	-	(2,695)	(38)	-	-	-	-	(2,733)
<b>Total comprehensive income for the half year</b>		<b>-</b>	<b>-</b>	<b>(2,695)</b>	<b>(38)</b>	<b>-</b>	<b>-</b>	<b>4,711</b>	<b>1,096</b>	<b>3,074</b>
<b>Transactions with owners in their capacity as owners:</b>										
Employee shares exercised	10(b)	-	493	-	-	-	-	-	-	493
Share-based remuneration plans		-	-	-	-	680	-	-	-	680
Dividends paid	5	-	-	-	-	-	-	-	(1,590)	(1,590)
Dividends applied to equity compensation plan		-	-	-	-	-	(163)	-	-	(163)
Reclassification of settled and expired share-based transactions		-	2,046	-	-	(2,703)	(2,949)	3,606	-	-
		-	2,539	-	-	(2,023)	(3,112)	3,606	(1,590)	(580)
<b>Balance at 31 July 2020</b>		<b>1,286,194</b>	<b>(67,099)</b>	<b>(524)</b>	<b>238</b>	<b>2,709</b>	<b>2,910</b>	<b>(745,486)</b>	<b>292</b>	<b>479,234</b>

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

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

# Condensed consolidated statement of cash flows

For the half year ended 31 July 2020

	Note	31 July 2020 \$'000	31 July 2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,813,982	2,251,353
Payments to suppliers and employees		(1,797,326)	(2,123,524)
Interest received		230	386
Interest paid		(4,833)	(8,112)
Income taxes paid		(648)	(6,919)
<b>Net cash inflow / (outflow) from operating activities</b>		<b>11,405</b>	<b>113,184</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment, software and intangibles		(47,834)	(26,593)
Acquisition of subsidiaries, net of cash acquired		-	(9,143)
Payments to acquire financial assets		(1,163)	(2,000)
Proceeds from sale of property, plant and equipment		10,130	-
<b>Net cash inflow / (outflow) from investing activities</b>		<b>(38,867)</b>	<b>(37,736)</b>
<b>Cash flows from financing activities</b>			
Net (repayments of) / proceeds from borrowings		(91,011)	35
Repayments of principal on lease liabilities		(5,203)	(4,502)
Proceeds from employee shares exercised		330	111
Dividends paid – Sigma	5	-	(19,707)
Dividends paid – non-controlling interests		(1,100)	(490)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(96,984)</b>	<b>(24,553)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(124,446)</b>	<b>50,895</b>
Cash and cash equivalents held at the beginning of the financial period		104,232	72,610
Effects of exchange rate changes on cash and cash equivalents		-	6
<b>Net cash and cash equivalents at the end of the financial period <sup>1</sup></b>		<b>(20,214)</b>	<b>123,505</b>

<sup>1</sup> Includes 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 2020

---

## 1. Basis of financial report preparation and significant accounting policies

### Statement of compliance

This general purpose financial report for the half year ended 31 July 2020 has been prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

This half year financial report does not include all the notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report, together with any public announcements made by Sigma Healthcare Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### Basis of preparation

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

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

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

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

### New accounting standards and interpretations

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

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

- *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

The adoption of the above amending standards above did not have any impact on the disclosures or amounts recognised in the condensed consolidated financial statements for the half year ended 31 July 2020.

A number of other new standards and amendments to standards are effective for annual periods beginning after 1 February 2020 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 2020

## 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 2020, 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, Central Healthcare, NostraData, Medication Packaging Systems Australia (MPS) and Medical Industries Australia (MIA) within the Healthcare segment. Sigma, MIA, NostraData and MPS are separate cash generating units for impairment testing purposes.

### Segment information provided to the CODM

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

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

	31 July 2020 \$'000	31 July 2019 \$'000
<b>Profit before income tax</b>	<b>6,671</b>	5,055
Add: Restructuring, transformation and dual operating costs before tax	7,788	18,635
Add: Due diligence, integration and litigation costs / (benefits) before tax	2,302	(6,238)
Less: (Gain) / loss on sale of assets before tax	(1,144)	-
Less: Non-controlling interests before interest and tax	(1,201)	(682)
Add: Net finance costs	5,181	7,633
Add: Depreciation and amortisation	14,548	12,606
<b>Underlying EBITDA attributable to owners of the company</b>	<b>34,145</b>	37,009

### Geographical segments

The Group operates predominantly within Australia.

### Information on major customers

Revenue from one customer group contributes 19.0% of the Group's revenues (2019: 38.2%). Sales revenue for the half year ended 31 July 2020 was \$306,252,000 (2019: \$718,388,000).

## 3. Profit for the half year

	Note	31 July 2020 \$'000	31 July 2019 \$'000
<b>Profit before tax includes the following specific expenses:</b>			
Write down of inventories to net realisable value		2,393	2,630
Net impairment loss on trade debtors		4,649	70
<b>Finance costs:</b>			
Interest on borrowings		4,278	6,892
Interest – right-of-use-assets		1,133	1,127
<b>Total finance costs</b>		<b>5,411</b>	8,019
<b>Depreciation and amortisation:</b>			
Amortisation – brand names	7	252	245
Amortisation – software	7	2,724	2,304
Depreciation – buildings	6	1,126	689
Depreciation – plant and equipment	6	6,056	4,710
Depreciation – right-of-use assets	8	4,390	4,658
<b>Total depreciation and amortisation</b>		<b>14,548</b>	12,606

# Notes to the condensed consolidated financial statements

For the half year ended 31 July 2020

## 4. Sales and other revenue

	31 July 2020 \$'000	31 July 2019 \$'000
<b>Sales revenue</b>	<b>1,642,162</b>	<b>1,877,598</b>
<b>Other revenue</b>		
Commissions and fees	21,374	18,616
Membership revenue	8,218	6,920
Marketing services and promotional revenue	14,138	16,904
Sundry revenue	7,987	3,980
Profit / (loss) on sale of assets	1,143	(8)
<b>Total other revenue</b>	<b>52,860</b>	<b>46,412</b>

### Recognition and measurement

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

The presentation of revenue and other income is consistent with segment reporting (refer to Note 2) as the Group has one reportable segment.

For each revenue stream, the Group has assessed the recognition of revenue, including the timing, in accordance with AASB 15 *Revenue from contracts with customers*. A summary of the nature, performance obligations under the relevant contracts and timing of revenue recognition by stream is summarised below.

#### Sales Revenue

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

#### Other Revenue

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

#### Contract costs

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 2020

## 5. Dividends

	31 July 2020 \$'000	31 July 2019 \$'000
<b>Dividends paid during the half year:</b>		
Dividends recognised by the parent entity	-	21,191
Less: dividends paid on shares held by Sigma employee share plan	-	(228)
Less: dividends paid on shares issued under the Sigma employee share plan	-	(1,254)
Dividends recognised by non-controlling interests	<b>1,590</b>	490
<b>Dividends paid by the group</b>	<b>1,590</b>	20,199

Since the end of the half year financial period, the Directors have resolved to not pay an interim dividend (see Note 13).

## 6. Property plant and equipment

	Note	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>At 31 January 2020</b>				
Cost		137,988	180,087	318,075
Accumulated depreciation		(3,633)	(58,518)	(62,151)
<b>Net book amount</b>		<b>134,355</b>	<b>121,569</b>	<b>255,924</b>
<b>Half year ended 31 July 2020</b>				
Opening net book amount		<b>134,355</b>	<b>121,569</b>	<b>255,924</b>
Additions		<b>15,820</b>	<b>17,447</b>	<b>33,267</b>
Transfer to assets classified as held for sale		<b>(84,191)</b>	<b>(5,754)</b>	<b>(89,945)</b>
Disposals		<b>(24)</b>	<b>(164)</b>	<b>(188)</b>
Depreciation		<b>(1,126)</b>	<b>(6,056)</b>	<b>(7,182)</b>
<b>Closing net book amount</b>		<b>64,834</b>	<b>127,042</b>	<b>191,876</b>
<b>At 31 July 2020</b>				
Cost		<b>66,724</b>	<b>190,050</b>	<b>256,774</b>
Accumulated depreciation		<b>(1,890)</b>	<b>(63,008)</b>	<b>(64,898)</b>
<b>Net book amount</b>		<b>64,834</b>	<b>127,042</b>	<b>191,876</b>

### Capital Work in Progress

Included in property, plant and equipment at 31 July 2020 is \$44,676,000 of capital work in progress, \$18,467,000 in land and buildings and \$26,209,000 in plant and equipment (31 January 2020: \$15,740,000).

### Assets classified as held for sale

The Group was committed to selling its Kemp's Creek (NSW) and Berrinba (QLD) distribution centres as at 31 July 2020. The assets of the two sites are classified as held for sale and are measured at their carrying amount, as the value expected to be derived from them exceeds this amount.

	31 July 2020 \$'000	31 January 2020 \$'000
Land and buildings	<b>84,191</b>	-
Plant and equipment	<b>5,754</b>	4,981
<b>Total assets classified as held for sale</b>	<b>89,945</b>	4,981

As disclosed in note 13, on 21 August 2020 the Group has completed a sale and leaseback of the Kemp's Creek (NSW) and Berrinba (QLD) distribution centres.

# Notes to the condensed consolidated financial statements

For the half year ended 31 July 2020

## 7. Goodwill and intangible assets

Note	Goodwill \$'000	INTANGIBLES			Total \$'000
		Brand names \$'000	Software \$'000	Other intangibles <sup>1</sup> \$'000	
<b>At 31 January 2020</b>					
Cost	102,960	25,892	39,695	940	169,487
Accumulated amortisation	-	(13,374)	(19,806)	(940)	(34,120)
<b>Net book amount</b>	<b>102,960</b>	<b>12,518</b>	<b>19,889</b>	<b>-</b>	<b>135,367</b>
<b>Half year ended 31 July 2020</b>					
Opening net book amount	<b>102,960</b>	<b>12,518</b>	<b>19,889</b>	<b>-</b>	<b>135,367</b>
Additions	-	-	<b>14,881</b>	-	<b>14,881</b>
Foreign currency movements	-	<b>(40)</b>	-	-	<b>(40)</b>
Disposals	-	-	<b>(187)</b>	-	<b>(187)</b>
Amortisation	-	<b>(252)</b>	<b>(2,724)</b>	-	<b>(2,976)</b>
<b>Closing net book amount</b>	<b>102,960</b>	<b>12,226</b>	<b>31,859</b>	<b>-</b>	<b>147,045</b>
<b>At 31 July 2020</b>					
Cost	<b>102,960</b>	<b>25,643</b>	<b>54,068</b>	<b>940</b>	<b>183,611</b>
Accumulated amortisation	-	<b>(13,417)</b>	<b>(22,209)</b>	<b>(940)</b>	<b>(36,566)</b>
<b>Closing net book amount</b>	<b>102,960</b>	<b>12,226</b>	<b>31,859</b>	<b>-</b>	<b>147,045</b>

<sup>1</sup> Other intangibles consist of customer relationships and supplier contracts

Included in intangible assets at 31 July 2020 is \$21,018,000 of capital work in progress (31 January 2020: \$7,795,000).

### Impairment of goodwill

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

### Impairment of other intangible assets

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

# Notes to the condensed consolidated financial statements

For the half year ended 31 July 2020

## 8. Leases

### Right-of-use (ROU) assets

The recognised ROU assets relate to the following assets:

	Land and Buildings \$'000	Plant and Equipment \$'000	Total \$'000
<b>At 31 January 2020</b>			
Cost	48,622	4,421	53,043
Accumulated depreciation	(8,487)	(1,125)	(9,612)
<b>Net book amount</b>	<b>40,135</b>	<b>3,296</b>	<b>43,431</b>
<b>Half year ended 31 July 2020</b>			
Opening net book amount	40,135	3,296	43,431
Additions	235	1,288	1,523
Disposals	(1,611)	-	(1,611)
Depreciation	(3,702)	(688)	(4,390)
<b>Closing net book amount</b>	<b>35,057</b>	<b>3,896</b>	<b>38,953</b>
<b>At 31 July 2020</b>			
Cost	44,872	5,709	50,581
Accumulated depreciation	(9,815)	(1,813)	(11,628)
<b>Net book amount</b>	<b>35,057</b>	<b>3,896</b>	<b>38,953</b>

### Lease liabilities

The movement in lease liabilities from 1 February 2020 to the period end 31 July 2020 is presented below:

	Total \$'000
<b>At 31 January 2020</b>	
Current lease liability	7,945
Non-current lease liability	42,052
<b>Lease liability at 31 January 2020</b>	<b>49,997</b>
<b>Half year ended 31 July 2020</b>	
Opening lease liability at 1 February 2020	49,997
Additions	1,523
Disposals	(1,820)
Interest incurred	1,133
Payments on lease liabilities	(5,203)
<b>Closing lease liability at 31 July 2020</b>	<b>45,630</b>
<b>At 31 July 2020</b>	
Cost	6,571
Accumulated depreciation	39,059
<b>Lease liability at 31 July 2020</b>	<b>45,630</b>

# Notes to the condensed consolidated financial statements

For the half year ended 31 July 2020

## 9. Borrowings

	31 July 2020 \$'000	31 January 2020 \$'000
<b>Current</b>		
Secured bank overdraft	40,073	-
Secured cash advance facilities	159,000	135,000
Other secured loans	-	22
<b>Total current borrowings</b>	<b>199,073</b>	<b>135,022</b>
<b>Non-current</b>		
Secured cash advance facilities	-	115,000
Other secured loans	-	48
Unsecured loans	-	140
<b>Total non-current borrowings</b>	<b>-</b>	<b>115,188</b>

### Credit facilities

The Group maintains the following credit facilities:

	31 July 2020		31 January 2020	
	Total facility \$'000	Unused \$'000	Total facility \$'000	Unused \$'000
<b>Credit standby facilities</b>				
Secured bank overdraft facility	135,000	94,927	135,000	135,000
Secured cash advance facilities	190,000	31,000	250,000	-
Corporate credit card	3,062	2,959	3,441	3,216

### Westpac debt facility (Receivables Purchase Facility)

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

- **Tranche A** – an overdraft facility of \$135 million. This expires 31 March 2021. Tranche A has \$40 million drawn down at 31 July 2020 and is classified as current borrowings in “Secured bank overdraft”
- **Tranche B** – a cash advance facility of \$115 million. This expires 31 March 2021. Tranche B has \$84 million drawn down at 31 July 2020. This amount is classified as current borrowings in “Secured cash advance facilities”.
- **Tranche C** – a cash advance facility of \$75 million. This cash advance facility expires on 31 March 2021. Tranche C is fully drawn at 31 July 2020 and is classified as current borrowings in “Secured cash advance facilities”. During the half year 31 July 2020, the Company made \$60 million of repayments against the Tranche C facility reducing its capacity from \$135 million as at 31 January 2020. Subsequent to the half year end, Tranche C has been repaid in full following the sale and leaseback transaction.

Tranche A and Tranche B are secured using eligible trade receivables of Sigma Healthcare Limited and Central Healthcare Services Pty Ltd. The facility imposes rights and obligations on the Group with respect to the quality and maintenance of the receivables, collection of receivables, settlement and reporting to the financier. The total debt facility is also secured using a general security arrangement (GSA) over the assets of Sigma Healthcare Limited and its subsidiaries.

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

### Debtor securitisation programme (Sigma Rewards Facility)

The Group operates a debtor securitisation programme. This programme allows the Group to receive cash in advance due to the fact that substantially all the risks and rewards of ownership of debtors within the programme are transferred to a third party. Accordingly, the debtors are recorded off balance sheet. The costs associated with this programme are recorded in “sales and marketing expenses” in the condensed consolidated statement of comprehensive income. The facility expires 31 March 2021.

### Refinancing of debt facilities - maturing 31 March 2021

As at 31 July 2020 the Company's borrowings under the Westpac debt facility are classified as current liabilities as they are scheduled to mature within twelve months from the date of the half year report.

As at the date of this report, in the opinion of the directors, the Group has adequate refinancing plans in place to be able to secure funding prior to the maturity of the debt facility.

# Notes to the condensed consolidated financial statements

For the half year ended 31 July 2020

## 10. Contributed equity

	31 July 2020 \$'000	31 January 2020 \$'000
<b>Issued Capital:</b>		
Ordinary shares fully paid	1,286,194	1,286,194
<b>Issued capital held by equity compensation plan:</b>		
Treasury shares	(67,099)	(69,638)
<b>Total contributed equity</b>	<b>1,219,095</b>	<b>1,216,556</b>

### (a) Movements in ordinary share capital

	No. of shares	\$'000
Balance at 31 July 2019	1,059,441,073	1,286,244
Shares bought on market	(84,657)	(50)
<b>Balance at 31 January 2020</b>	<b>1,059,356,416</b>	<b>1,286,194</b>
Shares bought on market	-	-
<b>Balance at 31 July 2020</b>	<b>1,059,356,416</b>	<b>1,286,194</b>

### (b) Movements in treasury share capital

	No. of shares	\$'000
Balance at 31 July 2019	(87,103,075)	(78,199)
Shares bought on market	-	-
Employee shares exercised	12,138,280	7,592
Reclassification of settled and expired share-based transactions	-	969
<b>Balance at 31 January 2020</b>	<b>(74,964,795)</b>	<b>(69,638)</b>
Shares bought on market	-	-
Employee shares exercised	2,509,468	493
Reclassification of settled and expired share-based transactions	-	2,046
<b>Balance at 31 July 2020</b>	<b>(72,455,327)</b>	<b>(67,099)</b>

## 11. Business divestments

On 30 April 2020 Sigma divested its 51% controlling interest in Member Benefits Australia (MBA), a small subsidiary of the Group, for nil consideration. In deconsolidating the entity from the Group, a loss on sale was recorded of \$117,000 which is reported in "Other revenue" in the condensed consolidated statement of comprehensive income, and included in "profit / (loss) on sale of assets" in Note 4 to the half year report.

## 12. Contingent liability

### Other claims

The Group is exposed to various claims and litigations in the normal course of business. The Group assesses each claim to determine any potential liability to the Group on a case by case basis.

# Notes to the condensed consolidated financial statements

For the half year ended 31 July 2020

---

## 13. Events subsequent to balance date

### Sales and leaseback transaction

During Q1 2020, Sigma commenced a review for the potential sale and leaseback of its distribution network with the intention of releasing unrecognised value in land and buildings.

On 21 August 2020 Sigma completed the sale and leaseback of two of its distribution centres at Kemps Creek (NSW) and Berrinba (QLD) to LOGOS, for proceeds totalling \$172 million. As part of the agreement, Sigma has entered into a 15-year lease agreement with two five-year options to extend. The annual lease cost during the full first year of the lease is over \$8 million.

At 31 July 2020 the assets subject to sale total a written down value of \$90 million and are reported as “assets classified as held for sale” in Note 6 to the half year report.

The sale and leaseback transaction will be accounted for during the second half of FY2021 and recorded in the year end 31 January 2021 financial report. We note that the Group has unutilised capital tax losses that will be used against any gain on sale associated with the transaction.

### Dividend

Since the end of the half year financial period, the Directors have resolved to not pay an interim dividend.

Other than the matter discussed above, there has not been any other matter or circumstance that has arisen since 31 July 2020 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 2020

---

In the opinion of the Directors of Sigma Healthcare Limited:

- a) the financial statements and notes set out on pages 10 to 22 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 2020 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



**Raymond Gunston**  
Chairman



**Mark Hooper**  
Managing Director

Melbourne  
9 September 2020

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

We have reviewed the accompanying half-year financial report of Sigma Healthcare Limited, which comprises the condensed consolidated balance sheet as at 31 July 2020, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 3 to 23.

### *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 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sigma Healthcare Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## *Auditor's Independence Declaration*

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

## *Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 July 2020 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



Andrew Reid  
Partner  
Chartered Accountants  
Melbourne, 9 September 2020