



CONNECTING

HEALTH

SOLUTIONS

Annual Review 2016/17



OUR PURPOSE

Sigma plays a pivotal role in the Australian healthcare landscape as the preferred partner for connecting health solutions.

Our Values

At Sigma, we believe a **U**nited team and **S**afe environment promote culture. We do this by **T**rusting our team and partners. We openly communicate and hold each other **A**ccountable in a **R**espectful way.

OUR PRIORITIES

Develop our team
for success



Build strategic
partnerships
for growth



Create innovative,
differentiated and
sustainable business
models



Optimise
core capabilities





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CHAIRMAN'S REPORT

I am pleased to present to you Sigma's Annual Report for 2016/17.

The 2016/17 financial year was another successful period for Sigma. We continued to deliver strong financial results, achieved from committed and sustained efforts to drive improved operational performance. We also invested in our business to provide an improved platform to drive shareholder returns into the future.

Financial Performance

The current year financial results have been achieved from a combination of improved underlying business performance and our ongoing focus on diversifying our earnings.

Particular highlights include:

- Revenue of \$4.366 billion, up 26.2%.
- Underlying NPAT of \$66.9 million, up 13.0%.
- Underlying Return on Invested Capital of 16.8%.
- Earnings per share of 5.4 cents.
- Dividend per share of 5.5 cents.

Whilst it was disappointing to have a \$20 million impact on reported earnings from what are largely remnants of historical

issues, these are one-off impacts that do not detract from the strength of the underlying business.

Strategic Direction

Your management and Board have a clear strategic intent to continue to grow our business and diversify our earnings to be less reliant on PBS-related income.

To support this, we have expanded our business presence around three healthcare streams – retail pharmacy services, supply and logistics services, and hospital services, supported by a unified Board and management team.

The acquisition of Discount Drug Stores, PharmaSave and Chemist King have exceeded their original acquisition business case and, combined with our Amcal+ and Guardian brands, have ensured Sigma has the largest branded pharmacy network in Australia. This creates great opportunities to work with our pharmacy members to continue to shape the future of pharmacy.

Our acquisition of Central Healthcare Services (CHS) provided a differentiated community pharmacy distribution model, but also fast-tracked our push into third party logistics and the hospital pharmacy

market. From a Victoria-only presence, we have invested in expanding to a national presence servicing hospital pharmacies across Australia. Early progress is encouraging and will continue to be a major focus in the years ahead.

We have embarked on a major infrastructure investment program designed to enhance our ability to service our customers across our network, drive operational efficiencies and ultimately deliver strong return on capital for our shareholders. This is a multi-year commitment to more efficiently and effectively support the healthcare needs of Australia.

Our strategy and business development team is also actively pursuing opportunities that add to our strategic direction and provide long term growth and sustainable returns for shareholders. This is an exciting phase in Sigma's long and proud history.

Regulatory Environment

Sigma is actively involved in working with government, industry bodies and other interested parties to help shape the industry and ensure it remains robust and sustainable.

The current Review of Pharmacy Remuneration and Regulation (PRRR) is a case in point. The PRRR is a critical review aimed at shaping the future operating and structural environment for the entire pharmacy supply chain. Sigma directly, and through our representative body National Pharmaceutical Services Association (NPSA), has made significant contributions to the PRRR and continues to engage with the review panel and government.



Whilst regulated PBS revenue remains core, we continue our efforts to diversify our business to be less reliant on growth from regulated earnings.

Capital Management

Your management and Board have maintained a disciplined approach to utilising what is a very strong balance sheet. At financial year end, our net debt of \$8.7 million and interest cover of over 20 times is very pleasing. This strong balance sheet puts Sigma in the position to be able to fund our capital investment program scheduled for the next three years.

Importantly, we do not expect this investment program to curtail our ability to fund expansion opportunities nor impact dividends paid to shareholders. What is more critical is our focus on disciplined capital management to ensure we drive an adequate return on capital employed.

Pleasingly, our continued improvement in operating performance was recognised by the financial markets, with Sigma's share price increasing by 49% compared to the ASX200 growing by 7% over the 2016 calendar year.

During the year Sigma also bought back and cancelled 4.2 million shares at a cost of \$4.99 million. Since commencement in October 2012, we have bought back 116.1 million shares at a total cost of \$86.6 million. Whilst we are approaching our initial program cap of 10% of shares on issue, your Board has unanimously agreed to refresh the program enabling up to an additional 10% of shares on issue to be bought back and cancelled.

Our Future

Sigma is well placed to continue our growth. We have a very long and proud history in the Australian pharmaceutical industry. Healthcare is core to what we do. We have built our business to now have the largest network of branded pharmacies nationwide. We have the largest market share in pharmacy wholesaling in Australia, and are expanding our presence in the hospital pharmacy market nationally. This puts Sigma in a unique position to continue to provide our customers, suppliers, service providers, consumers and the government with the best pathway to connecting healthcare solutions into the future.



Brian Jamieson
Chairman



Sales Revenue
\$4.37b

Underlying EBIT
\$100.2m

Underlying NPAT
\$66.9m

Underlying ROIC
16.8%

Net Debt at Year-end
\$8.7m

CEO AND MANAGING DIRECTOR'S REPORT

The Chairman's report provides a terrific overview of the business and strategic direction for Sigma.

In my report I'd like to take the opportunity to reflect on some of the key areas of focus from the investment community.

What stands out as the major highlights for the past 12 months?

There are a number of things Sigma can be proud of this year. We have again delivered a strong underlying financial performance but, just as importantly, our business is now in a position that enables us to focus on investing for our longer term growth. This is an exciting phase for the organisation.

We have now made good inroads into reinvesting in our infrastructure, which Sigma has not done for some time. This is an important enabler to create a more efficient and effective network.

The most satisfying point, however, is the fact that our team member engagement survey tells us that we have a great culture and a great team who are engaged and motivated. As the CEO, this is a critical indication of organisational health.

What is the level of growth in the PBS, and why are you diversifying your earnings away from PBS?

From Sigma's perspective, we assume basically no growth in the PBS, whereas the Federal Government budget assumes growth. Understanding the impact of an ageing population requires the government to formulate ways to further reduce the spend into the future. So, while PBS is core, we can't sit back and rely on it to deliver our growth aspirations.

Where does Sigma's future growth come from?

We have a number of irons in the fire to deliver growth. That is important because as much as you plan for success, things will not always turn out as you expect. We are focused on delivering organic growth through our existing retail and wholesale business. We are also focused on achieving growth from just doing things better. Whilst we have come a long way in improving our operational performance, there is still significant opportunity to improve our efficiency and effectiveness, so we have a major project underway (Project Renew) to capture these benefits. Thirdly, we continue to actively look at new business opportunities that can leverage our existing capabilities and extend our reach.

We are very focused on continuing to build on our momentum.

You talk about moving into adjacencies. What does this mean?

We are interested in exploring opportunities that are healthcare related but leverage our existing core skills and capabilities, and are consistent with our overarching strategy. Our push into hospital pharmacy distribution and third party logistics are examples of natural adjacencies to where we are now operating. There are opportunities that leverage our logistics infrastructure, our retail network, our investment in data and loyalty, and expand our private and exclusive range of products. What is key is that it fits within our core and provides an adequate return on capital for shareholders.

What is your view on the future of pharmacy in Australia?

I think community pharmacy is a fantastic national resource that provides an integral role in the delivery of healthcare to all Australians. I know our brand members and our customer base more broadly are passionate about the services they can provide customers to help them better manage their health. So from Sigma's perspective, we continue to invest in products, programs, services and data to help them achieve this. We are keen to provide that connection for our members to help their customers improve their healthcare outcomes. Ultimately, if our customers are successful, Sigma is successful.



What concerns you most about the regulated industry that you operate in?

My main concern is not so much for Sigma. We have a stronger business model now, so if regulatory changes have an impact, we will adjust our business model to suit. I am more concerned that regulatory changes are being made that are ultimately and unintentionally causing structural deterioration to the objective of the government's own National Medicines Policy, and therefore the overall healthcare system. Wholesalers provide the practical mechanism that delivers timely and efficient access to medicines for pharmacies, so it is important that we have a structural funding model that is sustainable long term.

We are keen to provide that connection for our members to help their customers improve their healthcare outcomes. Ultimately, if our customers are successful, Sigma is successful.



CEO AND MANAGING DIRECTOR'S REPORT CONTINUED

Is there something that investors don't understand about Sigma?

I think there has been this perception that Sigma had no growth. It has been a slow and steady build, so I think some investors did have difficulty in understanding where our growth was coming from and in what direction we were heading. There is not one single driver of our growth. It comes collectively from organic growth, from business improvement, and from acquisitions. As we mature as a business we will continue to evolve and improve our reporting to develop the market's understanding of Sigma and the growth strategies.

Does your previous profit guidance still stand?

Yes it does. In March 2016 we provided guidance of at least 5% growth in underlying EBIT for the next two financial years, being the year to January 2017 and January 2018. At our AGM in May we upgraded our 2017 guidance to 10% and maintained our 2018 guidance. We have just delivered 12.4% underlying EBIT growth for this year, which is a terrific result. So even though it will be off a bigger base, we believe we can deliver 5% underlying EBIT growth in 2018.

Any final messages you want to send to stakeholders?

I do just want to thank those investors who have supported us over the last few years. It has at times been a gradual process, but they are now seeing the rewards. We have a clear vision of where we want to head and clear strategic direction, and I think we have the right team in place to deliver it.

This clear strategy leads in to the change of company name and logo that we are currently undergoing. Sigma has a very long and proud history that we continue to embrace. However, the business has evolved and we found having pharmaceuticals in our name clouded views about our core business, which Sigma Healthcare addresses. Our existing logo had been in use for almost 20 years, and again it was closely linked with pharmaceuticals, which the new logo addresses whilst retaining our corporate colours. Finally, I think "Connecting health solutions" really defines what our end-to-end business is about. We have fantastic suppliers, customers, pharmacists and other business partners, so Sigma can play a major role in bringing innovative and integrated health-driven programs and solutions across the healthcare supply chain.



Mark Hooper
CEO & Managing Director





RETAIL PHARMACY SERVICES

Sigma has built Australia's largest retail footprint with around 700 stores across five brands – Amcal+, Chemist King, Discount Drug Stores, Guardian and PharmaSave.

To support this vast network, Sigma has made significant investments in a range of programs and services that assist pharmacies to meet the needs of their community. This has resulted in like-for-like growth in our brand members of 8.2% for the year.

These services are provided under the umbrella of our Resource Centre that offers pharmacists a turnkey solution. This year a critical element was the expansion of our professional services and accredited

dispensary services program (Leapp) designed to improve customer engagement. This includes patient programs driven by technology platforms such as CarePro, Leapp and others, all aimed at differentiating our offer beyond price alone.

A new structured IT platform (CarePro) was implemented to manage and measure patient interventions. The platform provides clear program results that demonstrate the pharmacy channel's ability to re-engage patients with the healthcare system through risk assessments, symptom recognition programs and disease state management programs. Assessments, such as Coeliac testing, Kidney Check, HbA1c testing and sleep apnoea, provide highly developed

and scoped programs for pharmacists to deliver exceptional care and defined referral pathways to enhance the care of their patients.

Sigma has appointed dedicated pharmacists on the road to support brand members and to implement professional services and the Leapp dispensary services program, which will ultimately help pharmacists free their time for better patient interaction.

The 2017 financial year also saw Sigma launch the Amcal brand online in China through our online store – cn.amcal.com.au – providing Chinese consumers access to over 5,000 product lines. Through a strategic partnership

launched in May 2016, our online store has been successful in carving out a growing niche in China. Our partners provide exceptional on ground support through their marketing and fulfilment services and there is considerable opportunity to continue to expand our reach and scope.

In November 2016, we announced a significant partnership with FRED, part of the Telstra Health Group, to roll out a leading POSBOS (Point of Sale, Back Office System) across our pharmacy network. This is the largest pharmacy IT partnership in Australia, which will deliver Sigma's next-generation retail platform with over 200 stores registered to roll-out the platform

Amcal+

Bayswater
Tam Nguyen – Owner & Pharmacist

"Amcal+ stands for great service, but also great value for money for the customer. The support that I receive also provides me with the opportunity to provide professional services to my local community. That's what makes the difference. Sigma has been amazing. All the help we've got in the past two years has made a huge difference; of course we've had our bumps along the way, but we're in very good shape now. This was my first foray into ownership, and I'm delighted with the choice of the Amcal+ brand because it stands for the highest level of professional service and also for value for money. That's a great combination."



Chemist King

Adelaide
Pannet Pok – Pharmacist

"Chemist King has real potential to be a very strong and competitive performer in the discount pharmacy market. I think Sigma can help complete the brand's progression; we can utilise Sigma's resources to grow and become stronger. I'm excited about where Sigma can take the Chemist King brand, it will allow us to better compete. I've been with Chemist King for three years and it's exciting right now."



Discount Drug Stores

Langwarrin
Wael Hanna – Owner & Pharmacist

"Sigma provides the platform that offers all the back of house services, which frees me up as the pharmacist to provide the professional services and help to the customers. I've been with the Discount Drug Stores brand for seven years, but now having Sigma involved is very exciting because it's going to give us the clout we need to take it to the next level. I think we'll receive better support for the franchisees. I think there will be exciting times ahead."



Guardian

Tunstall Square
Sam Koroneos – Owner & Pharmacist

"We've been with the Guardian brand coming up to 15 years and that's a long time and that's one of the major attractions of the brand; it keeps evolving, it keeps listening to its members and providing us with the resources and help to keep operating smoothly. Our core values are the same as Guardian's and that's to provide the best customer service and that makes our job a lot easier. The contact we have with Guardian head office and Sigma is always so important."





RETAIL
PHARMACY
SERVICES

in the first 12 months. This is a cloud-based technology solution that will support over 700 pharmacies across Australia and will underpin Sigma's broader technology and data strategy. Importantly, it will fully integrate with existing investments in multi-channel, loyalty and customer relationship management systems, providing unparalleled functionality and connectivity. The roll-out of this solution has commenced and we aim to complete more than 400 stores in the first two years.

Much has been achieved in this past 12 months, and our brands are well placed to take advantage of the overarching investment Sigma has made positioning them as a pillar in community health.

PharmaSave

Mornington Village
John Paul Daggian - Owner & Pharmacist

"PharmaSave is always competitive on price and always focused on offering the best customer service. The support we receive from Sigma for our back office operations means the work flow is always easier and that means we can better help the customer."

We have also continued to enhance and expand our Structured Professional services programs.





Sigma is committed to investing in its people and infrastructure to continuously strive for service excellence.



SUPPLY AND LOGISTICS SERVICES

Sigma is investing in infrastructure capabilities to continue to expand our logistics services to community pharmacy, hospital pharmacy and third party logistics customers.

Wholesaling is core to Sigma's business, with volumes growing by 4.7% for the 12 months to 31 January 2017.

Sigma has an extensive distribution network across Australia, with:

- 11 Sigma distribution centres across Australia servicing community pharmacy; and

- four CHS distribution centres servicing community pharmacy, hospital pharmacy and third party logistics customers.

Sigma's network supports over 4,000 customers across Australia, with our distribution centres holding over 14,000 SKUs and delivering more than one million products daily.

CHS provides a differentiated distribution model to Sigma. A new 8,000 square metre distribution centre built for CHS in Eastern Creek in Sydney in 2015 has been a critical enabler for the expansion of our service

capability. This distribution centre facilitated the implementation of an important 3PL agreement with our generics partner, Arrow Pharmaceuticals. CHS holds over 800 SKUs and delivered almost 24 million products during the year.

Sigma has now embarked on a major investment program that modernises our network of distribution centres across Australia to support our efficient and effective servicing of our customers.

Construction of our new distribution centre in Berrinba, South East Queensland, is well advanced. This is a \$65 million investment in a state-of-the-art facility that will be operational towards the end of the 2018 financial year. The facility will provide class-leading automation to improve product throughput, and has been designed to minimise our environmental footprint.

We have also announced construction plans for a new facility in Canning Vale in Western Australia. With our current distribution centre constrained for capacity, this is a welcome project that will see a new 15,000 square metre facility developed at a total cost of \$55 million. Construction will commence in the second quarter of the 2017 calendar year, with the distribution centre expected to be operational in the last quarter of the 2018 calendar year.



Sigma
36%*

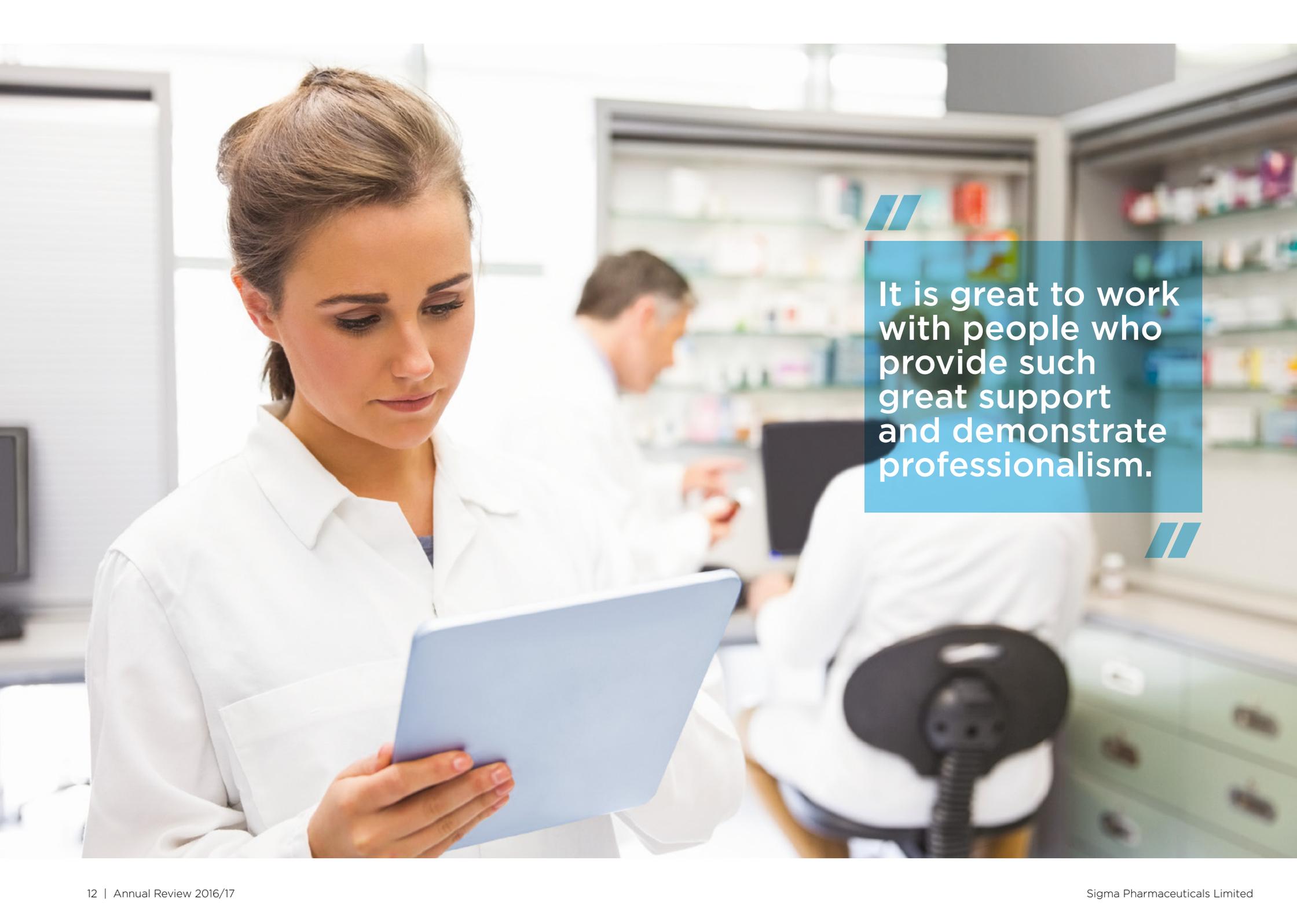
Market share of distribution to community pharmacy

More than 1 million units are delivered daily.

Volumes delivered grew by 4.7% for the 12 months to 31 January 2017.

* Approximately.





It is great to work with people who provide such great support and demonstrate professionalism.

HOSPITAL SERVICES

Sigma Hospital Services has expanded to now have a national presence.

The 2017 financial year has been a year of consolidation and expansion.

We moved to secure our Victorian business through extending most of our key hospital accounts and from winning new business, achieving above market rate growth across the state. Business development opportunities were approached with rigour and a differentiated service offering, which we continue to invest in and enhance, provided a strong platform for sustainable growth.

We have successfully launched the Sigma hospital business into New South Wales. Our purpose-built distribution centre in New South Wales has been fully ranged with hospital lines, and we are now a listed distributor on the New South Wales Pharmaceuticals Tender, both critical business enablers. In the short space of time since listing, we have opened 130 hospital accounts, continue to establish direct electronic ordering interfaces, and have over 30 of these already trading on a consistent basis. The success achieved to date provides a solid entry into this important market and a great platform for growth in the year ahead.

With our operations in Victoria and New South Wales well advanced, our focus and reach has now extended to Western Australia and Queensland.

In November 2016 Sigma officially announced our expansion to Western Australia. A new distribution centre has been established and is operational from April 2017. We have now put in place an experienced team to establish and grow this business, with discussions already advanced with government, suppliers and customers.

As an expansion market, our Queensland hospital operations commenced from small beginnings, providing considerable growth opportunities for Sigma longer term.

We continue to invest in growing our hospitals business. Whilst not currently making a meaningful contribution to the financial results, our investments and achievements to date position our business well for continued and sustained long term success.

Reliable in a Crisis

The robustness of our Victorian operations was successfully tested during the unfortunate and devastating asthma thunderstorm that occurred in November 2016. Sigma played a supporting role in quickly distributing desperately needed medications to our regular and non-regular hospital and pharmacy customers during this emergency, helping to alleviate the extent of the crisis. Notwithstanding the efforts of many, there was human cost, and our collective thoughts go out to those who lost loved ones during that period.



SUPPORTING OUR TEAM

Sigma is committed to providing a safe and healthy work environment for our team members to thrive. It is ingrained in our operational and management culture and incentives, with safety and behavioural indicators reported to the Board monthly.

Regular and consistent training is provided to team members, and informative material is prominently placed to ensure a safety-first approach throughout our business.

Health and Safety Management System Audits

Health and Safety Management System (HSMS) compliance audits of Sigma's sites are a key element of our health and safety governance. The audits are undertaken annually by accredited auditors within the Health and Safety Team throughout our operational facilities. This year's result was 91.03%, an increase of 6.48% over the previous year.

Safety Lead Indicator Reporting

Our safety lead indicators are a group of key activities undertaken at every site as part of our risk reduction and safety improvement program. Each month, every site is measured against our compliance KPI of 95%. Compliance across the company was 99.24%, with no site dropping below 98.00%.

Drug and Alcohol Testing

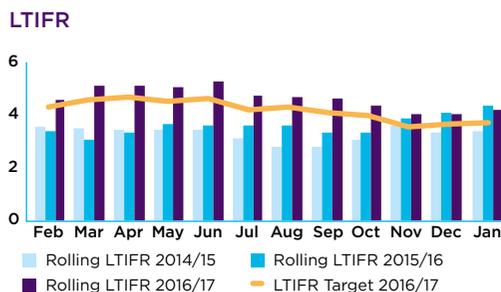
As a Company committed to providing safe workplaces, random drug and alcohol testing was undertaken at our sites throughout the year, following an extensive drug and alcohol awareness education program delivered to team members in 2015. The program and subsequent testing has been embraced by team members and contractors alike.

MySigma

A major IT platform upgrade led us to designing and implementing a new company intranet, called MySigma, which enabled us to roll out a dedicated health and safety portal, with policies, standards, tools and forms easily accessible from workstations, mobile devices and our intranet kiosks.

LTI/LTIFR

Sigma recorded eight lost time injuries (LTIs) for the year (LTI = one or more lost days), with two of these being for time greater than one week. Our LTIFR was 4.25, down from 4.36 the previous year. Four Sigma sites reached 3,300 or more LTI-free days.



Sigma has during the year conducted a number of programs across our workplace to continue to create a healthy working environment. These have included:

- Bone density testing, where we have had a fantastic response with 428 people registering for a test! This is a great step forward in improving bone health and reducing risk of osteoporosis and bone deterioration. The test is taken at the heel of one foot by ultrasound and is 100% safe and painless.
- Making free flu vaccinations available to all team members.
- Supporting team member participation in the Upstream Challenge and Corporate Triathlon.

We will continue to evaluate opportunities to encourage healthy living amongst our team members in the year ahead.

Team Member Engagement Survey

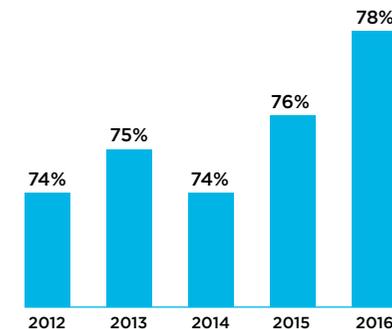
An annual team member engagement survey is conducted to assess the level of engagement of our team members and better understand the areas in which both Sigma does well and needs improvement.

The 2016 climate survey again provided some fantastic results, with the satisfaction rating reaching an all time high of 78%. Equally pleasing is that the increased satisfaction rating was achieved from a broader base of employees, with the response rate reaching 70%.

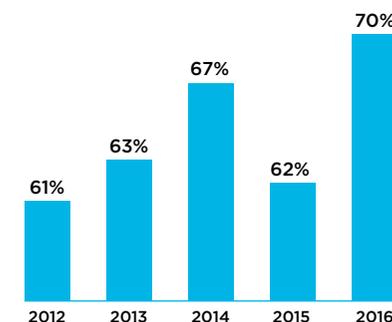
“This business has come a long way in the years I have been here, and whilst we still have a lot of room for improvement in some areas, we should all feel very proud how much the business has turned around and the healthy results and direction we are going, in what is a very challenging market place.”

Anonymous team member

Satisfaction Rating



Response Rate





SUPPORTING THE COMMUNITY

Sigma is committed to supporting the communities in which we operate. At a corporate level, Sigma provides support for the terrific work of the Summer Foundation, which works tirelessly at actioning better lifestyle alternatives for young people with acquired disability who are forced to live in nursing homes. The work of the Summer Foundation crosses research, government policy and identifying and constructing real life working solutions. There are currently over 6,000 people under 65 living in nursing homes, where the average age of residents is 85.

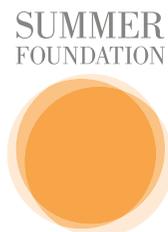
“Imagine living in an environment where your co-residents are becoming increasingly frail and dying. Many of the people here have age-related dementia, so establishing a life in here is really difficult. On my first day I woke to Frank Sinatra being played over the PA, then at the exercise class they sang ‘Swing Low Sweet Chariot’. The first three weeks I was here, I just cried.”

Helen, a young adult who has been supported by the Summer Foundation

<http://sigmaco.com.au/sigma-and-the-summer-foundation/>

“The Summer Foundation relies on piecing together funding for projects – our projects are innovative and pioneering, but they have the potential to make a very real and significant impact. The Summer Foundation has enormous gratitude for the ongoing support of Sigma and the contribution made directly by Sigma employees at the end of 2016, and in supporting the Upstream Challenge. This support is a very direct and personal way for Sigma employees to help make a real difference.”

Carolyn Finis
Chief of Staff



Through Amcal+ and Guardian, Sigma also supports the work of Carers Australia – the national peak body representing Australia’s unpaid carers. Carers Australia supports the unsung heroes in the community – those who are committed to caring for those in need.

“Sigma understands carers and caring. I can confidently say this because Carers Australia is the charity partner of choice for Amcal+ and Guardian pharmacies. You can read about Carers Australia on both pharmacies’ websites, they have provided generous financial support, produced a powerful video that focused on the role of young carers in Australia, promoted Carers Week, and are the Platinum Sponsor of the seventh International Carers Conference, providing valuable support that will help us to produce an exciting and comprehensive global event. We are excited about the ongoing and positive relationship with Sigma, and by working together on such meaningful projects, we have been able to foster close ties with the organisation and look forward to this relationship growing in the future.”

Ara Cresswell
Carers Australia CEO



Discount Drug Stores supported FreeToBe again last year through the Flu Clinics ‘Get a Shot, Give a Chance’ campaign, donating \$2 from every flu shot to help contribute to the vaccination and education of disadvantaged children in India. Some of the funds raised were also able to support a community vaccination day.

“Each year, vaccine-preventable diseases such as Hepatitis B and tetanus account for over 1.5 million deaths and about 1 million disabilities in children under five years of age in India. Discount Drug Stores has been invaluable in giving children in need access to protection and necessary treatments from these preventable diseases. We are so grateful to Discount Drug Stores for the company’s ongoing support over the years. Their generous donations make our work in Kolkata possible and ensure we continue to make a positive difference to the lives of those less fortunate.”

Jeanette Thompson
FreeToBe Project Manager





Lisa Buttigieg – joint 2016 Shine at Sigma award winner with Richard Church Sigma GM Logistics



Marieanne Jankowski – joint 2016 Shine at Sigma award winner with Mark Hooper, Sigma CEO

Discount Drug Stores is also a long-time supporter of Assistance Dogs Australia. DDS sponsored two more puppies in 2016, Ganan and Daisy. To date, DDS has sponsored eight assistance dogs, providing amazing support for those in need in the community. DDS also participated in the Perth and Sydney Dogtober events.

Over and above the national campaigns, all of our pharmacy brands continue to run additional activities to support numerous charities, including hosting morning teas, special sales, competitions and raffles.

Shine at Sigma

Sigma continued its program of recognising the efforts of our team members who support the values of Sigma. This year saw

two equal winners – Marieanne Jankowski, (Senior Customer Service Operator) and Lisa Buttigieg (Leading Hand) from over 54 ‘Shine at Sigma’ nominations throughout the year. Marieanne and Lisa won for their work together in delivering service excellence that went above and beyond their day to day role, leading to outstanding results for our customers and Sigma.

Consistent with Sigma’s philosophy of supporting the communities in which we operate, each winner was eligible to select charities of their choice to which Sigma would make a financial donation. This year, the charities chosen by our winners were Minus 18, Ronald McDonald House, Royal Institute for Deaf and Blind Children, and Cancer Council.

<http://sigmaco.com.au/shine-at-sigma/>

Supporting the Environment

Sigma’s business continues to have a relatively low touch environmental impact. Notwithstanding this, we are very focused on controlling our operational footprint where possible to minimise our environmental impact.

This has seen ongoing management of the major areas of our operations, including:

- Being a signatory to the Australian Packaging Covenant (APC), a sustainable packaging initiative.
- Improvements in the efficiency and effectiveness of our distribution network, including live delivery data, improved route allocation, and reusable and recyclable tote and cool boxes.
- Initiatives including landfill diversion improvements, and making environmental management a key component of our plans for our investment in new distribution centre infrastructure.

Our service provider reporting shows that our recycling efforts lead to:

- around 300 tonnes of materials collected for recycling during the year;
- around 100 tonnes of materials disposed to landfill, down 21% on the previous year; and

- our combined efforts over the past 12 months have contributed to the equivalent of removing 180 cars from the roads, the energy use of almost 1,000 households, and the equivalent of reducing the water usage by 300 people.

A step change in our environmental footprint is expected to come as our new distribution centres are constructed.

The first of these, Berrinba in Queensland, is scheduled to go live towards the end of Sigma’s 2018 financial year, and will include solar power and water collection and utilisation as key design features.

BOARD OF DIRECTORS



**Mr Brian Jamieson
(Chairman)**

FCA, FAICD

Non-Executive Chairman and Director

Appointed a Director of Sigma Company Limited in May 2003, a Director of Sigma Pharmaceuticals Limited in December 2005, and Chairman of Sigma Pharmaceuticals Limited in June 2010. Mr Jamieson is also Chairman of Mesoblast Limited, a Director of Tatts Group Limited and the Bionics Institute. He is a former Managing Partner of Minter Ellison Lawyers Melbourne, former Chief Executive of KPMG Australia and former director of Bank of Western Australia Limited, CareAustralia, HBOS Australia Limited, Tigers Realm Coal Limited, and Oz Minerals Limited. Mr Jamieson has over 30 years' experience in providing advice and audit services to a diverse range of public and large private companies. He has not held any directorships of listed entities in addition to those set out above during the last three years.



**Mr Mark Hooper
(CEO & Managing Director)**

BBus (Acc), CPA, FFTP, MAICD

Executive Director

Appointed Managing Director of Sigma Pharmaceuticals Limited in August 2010. Mr Hooper has a broad range of experience in finance, commercial and operational matters primarily in the mining and pharmaceutical industries. Mr Hooper is a former Chief Financial Officer and Executive Director of PaperlinX Limited. From 2006 to 2008 Mr Hooper was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that he was Chief Financial Officer of Sigma from 2001-2006. Mr Hooper has not held a directorship of any other listed entity during the last three years.



Mr David Bayes

FAICD

Non-Executive Director, Chairman of the People and Remuneration Committee, Member of the Risk Management and Audit Committee

Appointed a Director of Sigma Pharmaceuticals Limited in June 2007. Mr Bayes has held a variety of board and executive positions including former Chief Executive Officer of Choice Hotels Australasia, Chief Operating Officer of Mortgage Choice, Chief Executive Officer and Director of Bakers Delight, former Non-Executive Director of Chiquita Brands South Pacific Ltd, former Non-Executive Director of North Western Healthcare Network and former Vice President and Director of McDonald's Australia. Mr Bayes is a Non-Executive Director of the Australian Institute of Company Directors and is the current President of the Victoria Council, Australian Institute of Company Directors. Mr Bayes has over 30 years' experience in multi-outlet retail business. Mr Bayes has not held any directorships of listed entities in addition to those set out above during the last three years.



Ms Kathryn (Kate) D Spargo

LLB (Honours), BA, FAICD

Non-Executive Director, Member of Risk Management and Audit Committee

Appointed a Director of Sigma Pharmaceuticals Limited in December 2015. Ms Spargo holds a Bachelor of Law with Honours and an Arts degree from the University of Adelaide. She has gained broad business experience as both an adviser, having worked in private practice and government, and as a director of listed and unlisted companies. Ms Spargo is currently Non-Executive Director at Sonic Healthcare Limited, Fletcher Building Limited and Adairs Limited. Ms Spargo has held a directorship in a listed entity over the past three years as Chairman in UGL Limited. In addition, Ms Spargo's current directorships in unlisted companies include Director of ColInvest Limited, SMEC Holdings Limited and the Geelong Football Club. Ms Spargo is a fellow of the Australian Institute of Company Directors.



Mr Raymond M Gunston

BComm (Hons), DipEd, FCPA, FTA, GAICD

Non-Executive Director, Chairman of the Risk Management and Audit Committee, Member of the People and Remuneration Committee

Appointed a Director of Sigma Pharmaceuticals Limited in July 2010. Mr Gunston is a Non-Executive Director and Chairman of the Board, Audit and Risk Committee of Hotel Property Investments Limited. He has over 30 years of extensive corporate and financial services experience in the public and private sectors, specialising in finance, treasury, mergers and acquisitions, and accounting. He is a former Chief Financial Officer of Tatts Group Limited, and a former director of many of the Tatts Group's subsidiary and associate companies, and the former Interim CEO for the Essendon AFL Football Club. Mr Gunston is currently General Manager – Infrastructure, Major Projects and Investment of the Australian Football League. Mr Gunston has not held any directorships of listed entities in addition to those set out above during the last three years.



Mr David G Manuel

BPharm, MPS, MAICD

Non-Executive Director, Member of the People and Remuneration Committee

Appointed a Director of Sigma Pharmaceuticals Limited in October 2009. Mr Manuel is a community pharmacist and an active participant in industry affairs with a special interest in cognitive services such as opiate dependency treatments, compounding, and aged care pharmacy services. Mr Manuel is a Director of Black Swan Healthcare Ltd (formerly Perth North Metro Medicare Local Ltd). He is the current Western Australian representative on the Amcal Members Advisory Committee (MAC). He is a current Branch Committee Member of The Pharmacy Guild of Australia (WA branch). Mr Manuel has not held a directorship of any other listed entity during the last three years.



Ms Christine Bartlett

BSc, MAICD

Non-Executive Director, Member of People and Remuneration Committee

Appointed a Director of Sigma in March 2016. Ms Bartlett holds a Bachelor of Science (Pharmacology and Physiology) from the University of Sydney and has completed the Harvard University Advanced Management Training and Global Executive Program. As an experienced CEO and senior executive, Ms Bartlett has broad commercial expertise, with a particular focus in areas of financial discipline, risk management, innovation, technology and strategy execution. Ms Bartlett's current directorships in listed entities include Non-Executive Director at Mirvac Group and GBST Ltd. Ms Bartlett has not held any other directorships in listed entities over the past three years. In addition, Ms Bartlett's current directorships in unlisted companies include Non-Executive Director of Clayton Utz and TAL, and Chairman of The Smith Family. Ms Bartlett is a member of UNSW Australian School of Business Advisory Board, Chief Executive Women, and the Australian Institute of Company Directors.

EXECUTIVE LEADERSHIP TEAM



Ms Iona MacPherson

BAdmin (Acc), CA, MAICD

Chief Financial Officer

Ms MacPherson was appointed Chief Financial Officer of Sigma Pharmaceuticals Limited in November 2016. Before joining Sigma, Ms MacPherson held CFO & Company Secretarial roles at UXC Limited (2015-2016), Boom Logistics Limited (2007-2014) and Australian Air Express (2003-2007). Prior to this she worked with KPMG for 13 years in their Edinburgh, Hong Kong and Melbourne offices. Ms MacPherson is a highly experienced executive with the combination of financial, commercial and operational acumen and a demonstrated ability to execute transformational change.



Mr Jeff Sells

BBus (Acc), CA, MAICD, Harvard Business School – Advanced Management Program

Executive General Manager, Strategy & Business Development

Mr Sells rejoined Sigma as CFO in August 2010 having previously worked for Sigma as Group Treasurer from 2001 to 2004. In 2016 we moved into the new role of Executive General Manager Strategy and Business Development where he has responsibility for strategy development activities, as well as the strategic and operational leadership for the CHS business. From September 2008 to August 2010 Mr Sells was CFO of Citadel Resources Group Ltd, and for a four-year period from 2004 to 2008 he was the CFO for Oxiana Limited. Prior to this, from 1991 to 2000, Mr Sells held various treasury and finance roles at Ashton Mining Limited.



Mr Gary Dunne

BBus, Master of Enterprise, Harvard Business School – Advanced Management Program

Chief Operating Officer

Mr Dunne commenced with Sigma in July 2011. Prior to Sigma, he was involved with a number of restructuring roles with Private Equity including Interim Managing Director and Acting CEO. Mr Dunne has held a number of key senior management positions including General Manager of Supercenters, Strategy and Operations within the Coles Group and played an integral role in establishing ALDI in Australia as its first Regional Managing Director in 2000. Prior to this, Mr Dunne spent 17 years with Woolworths in a variety of senior management roles. He is a graduate of the Harvard Business School's Advanced Management Programme, holds a Masters of Enterprise from Melbourne University and a Bachelor of Business from Monash University.



Mrs Jackie Pearson

BAppSc (Psych)(Hons), MBA

Executive General Manager Business Transformation

Mrs Pearson commenced with Sigma in August 2005, spending much of her time as Executive General Manager Human Resources. In May 2016 she was appointed Executive General Manager Business Transformation and is responsible for delivering complex cross-functional business transformation solutions from concept and design through to deployment and benefit measurement. Prior to joining Sigma, Mrs Pearson provided human resources advice to a variety of organisations within the private, public and government sectors. Mrs Pearson holds a Bachelor of Applied Science – Psychology (Honours) and a Master of Business Administration.



Ms Paula Jeffs

BA (Psych & Media), Grad Dip Business (HR/IR), GAICD

Executive General Manager Human Resources

Ms Jeffs was appointed Executive General Manager Human Resources of Sigma Pharmaceuticals Limited in February 2017. Prior to joining Sigma, Ms Jeffs was Executive Director HR at Austin Health (2011–2017) and spent the previous 15 years with ANZ Banking Group Ltd in various human resource roles including with Retail and Commercial Banking, and leading ANZ's Group Talent and Succession portfolio. Ms Jeffs brings to Sigma strong experience as a HR Executive Leader including aligning cultures to business strategy, building organisational capability and driving transformational change.



Mr Sam Lawson

BCom, LLB (Hons - 1st Class) Barrister and Solicitor (VIC), High Court

General Counsel and Company Secretary

Mr Lawson commenced with Sigma in January 2016. Before joining Sigma, he was a Senior Associate at Minter Ellison for over six years, specialising in mergers and acquisitions, corporate, securities transactions and contracts. Mr Lawson has also worked for Slaughter and May in London and Freehills (now Herbert Smith Freehills) in Melbourne.

We work collaboratively to build long-term **relationships** that reward partners, benefit consumers and support communities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 January 2017

	2017 \$'000	2016 \$'000
Sales revenue	4,366,208	3,461,104
Cost of goods sold	(4,076,662)	(3,197,750)
Gross profit	289,546	263,354
Other revenue	77,153	70,349
Warehousing and delivery expenses	(131,321)	(122,948)
Sales and marketing expenses	(75,797)	(61,147)
Administration expenses	(58,971)	(51,786)
Litigation settlement expense	(11,368)	-
Contingent consideration from prior year acquisitions	-	(7,784)
Depreciation and amortisation	(8,287)	(9,027)
Amortisation of other intangibles acquired on acquisition	-	(940)
Profit before financing costs and tax expense (EBIT)	80,955	80,071
Finance income	1,735	1,977
Finance costs	(6,021)	(5,457)
Net finance costs	(4,286)	(3,480)
Share of profit/(loss) of equity accounted investee (net of tax)	-	210
Profit before income tax	76,669	76,801
Income tax expense	(23,163)	(26,386)
Profit for the year	53,506	50,415
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net change in fair value of financial asset	(192)	150
Exchange differences on translation of foreign operations	120	(41)
Income tax relating to components of other comprehensive income	22	(33)
Other comprehensive income for the year (net of tax)	(50)	76
Total comprehensive income for the year	53,456	50,491
<i>Profit attributable to:</i>		
Owners of the Company	53,184	50,502
Non-controlling interest	322	(87)
Profit for the year	53,506	50,415
<i>Total comprehensive income attributable to:</i>		
Owners of the Company	53,134	50,578
Non-controlling interest	322	(87)
Total comprehensive income for the year	53,456	50,491
Earnings per share (cents) attributable to owners of the Company		
Basic earnings per share	5.4	5.0
Diluted earnings per share	5.0	4.7

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the Notes to the Consolidated Financial Statements in the Annual Report 2016/17.

CONSOLIDATED BALANCE SHEET

As at 31 January 2017

	2017 \$'000	2016 \$'000
Current assets		
Cash and cash equivalents	24,403	17,407
Trade and other receivables	566,895	618,248
Inventories	322,000	288,626
Prepayments	5,427	5,087
Total current assets	918,725	929,368
Non-current assets		
Trade and other receivables	3,459	9,185
Property, plant and equipment	77,870	58,540
Goodwill and other intangible assets	102,694	101,538
Other financial assets	1,458	650
Net deferred tax assets	14,676	9,370
Total non-current assets	200,157	179,283
Total assets	1,118,882	1,108,651
Current liabilities		
Bank overdraft	32,129	73,014
Trade and other payables	523,770	446,112
Borrowings	14	11
Income tax payable	581	12,808
Provisions	15,893	14,350
Deferred income	2,220	2,781
Total current liabilities	574,607	549,076
Non-current liabilities		
Other payables	426	295
Borrowings	1,016	1,028
Provisions	4,050	3,989
Deferred income	196	609
Total non-current liabilities	5,688	5,921
Total liabilities	580,295	554,997
Net assets	538,587	553,654
Equity		
Contributed equity	1,226,904	1,238,394
Reserves	10,552	10,648
Accumulated losses	(700,693)	(696,890)
Non-controlling interest	1,824	1,502
Total equity	538,587	553,654

The above Consolidated Balance Sheet is to be read in conjunction with the Notes to the Consolidated Financial Statements in the Annual Report 2016/17.

FIVE YEAR SUMMARY

	2017 \$m	2016 \$m	2015 \$m	2014 \$m	2013 \$m
Operating results					
Sales revenue	4,366.2	3,461.1	3,142.1	2,973.5	2,942.4
EBITDA	89.2	90.3	85.6	76.6	28.8
EBIT	81.0	80.4	78.0	70.3	23.1
Profit/(loss) before tax	76.7	76.8	75.6	68.3	24.9
Profit/(loss) after tax	53.5	50.5	52.8	53.5	18.7
Financial position					
Working capital	387.1	490.4	455.6	416.8	436.1
Fixed assets (including intangibles)	180.6	160.1	156.0	75.4	87.8
Other assets and liabilities	(20.4)	(40.2)	(72.2)	19.1	4.2
Capital employed	547.3	610.3	539.4	511.3	528.1
Net debt/(net cash)	8.7	56.6	(33.7)	(67.5)	(82.7)
Net assets	538.6	553.7	573.0	578.8	610.8
Shareholder related					
Dividend					
– ordinary per share	5.5¢	5.0¢	2.0¢	4.0¢	4.0¢
– special per share	-	-	1.0¢	-	-
– total dividends	59.2	54.0	32.8	44.9	47.0
Earnings/(loss) per share	5.4¢	5.0¢	5.1¢	4.9¢	1.6¢
Dividend payout ratio	111%	107%	62%	84%	251%
Net tangible asset backing per share	41¢	42¢	43¢	50¢	51¢
Market capitalisation (year-end)	1,302	885	875	672	773
Ratio and returns					
EBIT margin ¹	1.9%	2.3%	2.5%	2.4%	0.8%
Gearing ²	1.6%	9.3%	n/a	n/a	n/a
Interest cover ^{3,4}	20.8x	26.0x	34.8x	38.7x	n/a

1. EBIT/sales revenue.

2. Net debt/capital employed (year-end). The Group had cash and cash equivalents over and above total debt.

3. Reported EBITDA/net financing costs (times).

4. As at 31 January 2013, the Group had positive net financing income.

CONTACTS

Company Details

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Directors and Senior Management

Refer to pages 18 to 21 of this review or visit www.sigmaco.com.au

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Sam Lawson
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Deloitte Touche Tohmatsu

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Recent Dividends

Dividend	Date Paid	Cents Per Share
2017 Final	21 April 2017	3.00
2017 Interim	3 October 2016	2.50
2016 Final	21 April 2016	3.00
2016 Interim	7 October 2015	2.00
2015 Special	16 April 2015	1.00
2015 Final	16 April 2015	2.00
2015 Interim	-	- #

Due to insufficient franking credits, no 2015 interim dividend was paid.

Shareholder Calendar*

2016/17 AGM	3 May 2017
Half-year results	7 September 2017
Ex-dividend	19 September 2017
Record date	20 September 2017
Interim dividend payment	5 October 2017
Full-year results	22 March 2018
Ex-dividend	5 April 2018
Record date	6 April 2018
Final dividend payment	20 April 2018
2017/18 AGM	16 May 2018

* Dates may be subject to change.



For investor, media or government enquiries in relation to Sigma

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Visit www.sigmaco.com.au and register to receive Sigma updates.



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