

Solutions for a changing world

Annual Review
2015/16



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Who We Are

Sigma plays a pivotal role in the Australian healthcare landscape through:

Having the largest pharmacy footprint in Australia.

Being a leading full-line CSO wholesaler.

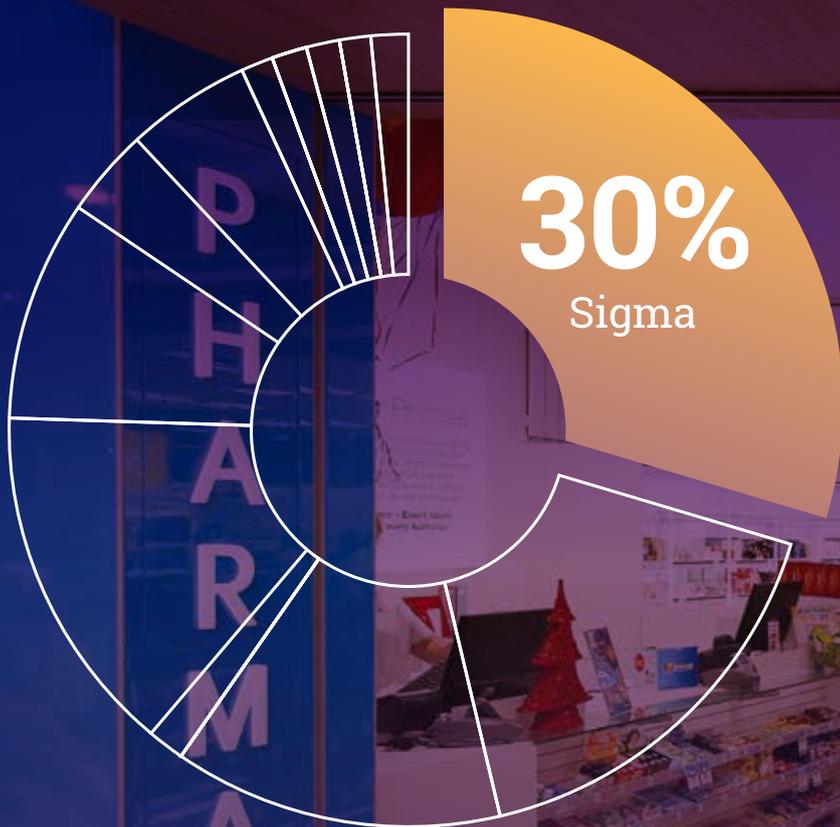
Providing competitive hospital pharmacy services.

Serving all Australians with healthcare and professional services.

Our Pharmacy Footprint

Amcal

Sigma has Australia's largest branded retail pharmacy footprint with over 700 branded pharmacies.



Based on groups with 30 or more pharmacies.

In a consolidating market, 30% of pharmacy groups with 30 or more members already use one of our brands.



Key Financial Performance



Underlying Net Profit After Tax (NPAT) \$M



Underlying Earnings Before Interest and Tax (EBIT) \$M



Revenue \$M



Sales Revenue **\$3.5b**

Underlying EBIT **\$89.1m**

Underlying NPAT **\$59.2m**

Underlying ROIC **14.6%**

Net Debt at Year End **\$56.6m**



We have now embarked on a capital investment program to develop state-of-the-art distribution centres to better service our customers and the community.

Chairman's Report



On behalf of the Board of Directors and management, I am pleased to present Sigma's Annual Review for the 2015/16 year.

This financial year has seen the continuation of strong growth and returns for shareholders concurrently with investing in new opportunities and maintaining a strong and disciplined balance sheet.

The highlights include:

- Revenue up 10.2% to \$3.461 billion.
- Underlying Net Profit After Tax (NPAT) up 11.6% to \$59.2 million.
- Underlying Earnings Before Interest and Tax (EBIT) up 13.7% to \$89.1 million.
- Underlying Earnings Per Share (EPS) up 15.6% to 5.9 cents per share.
- Dividend Per Share up to 5.0 cents per share.

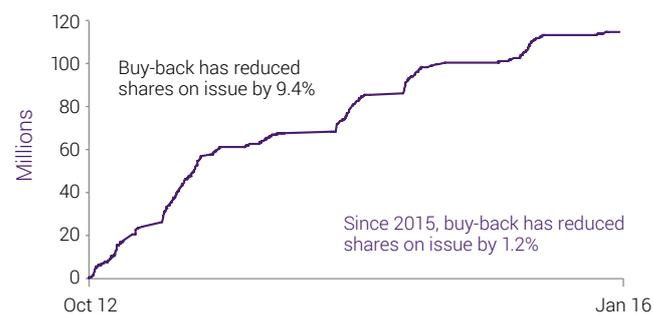
These results demonstrate the clear benefits from executing our strategy of reducing our reliance on PBS-related earnings to help offset the ongoing impact of PBS reform.

Importantly, we have enhanced the rewards for shareholders by increasing our dividend to 5.0 cents per share. The high dividend payout ratio has been maintained, with 91% of Underlying NPAT paid as a dividend. Based on a share price of \$0.90, this represents a gross dividend yield of 5.6%, strong in comparison to the 4.6% average yield of stocks represented on the ASX200 Index.

At the same time we have maintained our EPS accretive share buy-back program, which began in October 2012, meaning the increased profits are spread across fewer shares. This year alone Sigma has invested \$11.1 million to buy back and cancel 14.0 million shares. Since inception of the program, Sigma has invested \$81.6 million to buy back and cancel 111.9 million shares (9.4% of shares on issue) at a weighted average cost of \$0.73 per share. The continuation of the program will be reviewed by the Board in the context of our ongoing business objectives.

We have also invested in new business growth. The acquisitions of Central Healthcare Services (CHS) and Discount Drug Stores (DDS) have performed above expectations. These businesses have very quickly elevated our retail pharmacy status and provided an established platform to launch into the hospitals distribution and third party logistics businesses. These are exciting opportunities that complement and leverage the infrastructure supporting our core operations.

Shares Bought Back



We have now embarked on a capital investment program to develop state-of-the-art distribution centres to better service our customers and the community. The new CHS facility in Eastern Creek in New South Wales was completed during the year to expand the reach and capacity of CHS and access new business opportunities. The Board has more recently signed off the development of a new facility in Berrinba in south east Queensland that promises to deliver significant efficiency improvements and leading service delivery standards. Enhancements to our New South Wales and Western Australian facilities are now firmly in our sights.

The health and safety of our employees is critical and a major focus of our business. A proactive safety culture is embedded throughout the organisation, and is backed by our investment in numerous policies, programs and practices. Similarly, Sigma values and encourages diversity across all levels of the organisation. The continuation of the program will be reviewed by the Board in the context of our business objectives.

Chairman's Report

continued

During the year we bolstered the strength of our executive team to further facilitate our growth aspirations, which is a key to our future success. We also continue to link the alignment of employees to drive improved company performance, with over two-thirds of our team members owning Sigma shares.

This year has also seen renewal at a Board level. Linda Nicholls AO retired from the Sigma Board effective 9 December 2015. On behalf of the Board, I would like to thank Linda for her dedication and the significant contributions she has made to Sigma since joining the Board in 1997.

We are pleased to now welcome Kate Spargo to the Board effective 9 December 2015. Kate has a wealth of experience and knowledge gleaned from various roles across the private sector, government and Board positions, and I am sure will be a valuable contributor to the future direction of Sigma.

The success of Sigma's business is built off the strength of people – our team members, who we continue to develop to drive our culture and values; our business allies; with whom we share strategic partnerships to deliver sustained benefits to our customers; our pharmacy members, who are everyday brand ambassadors supporting community health; and our shareholders.

Sigma continues to be in excellent health. We have a clear strategy that is accelerating Sigma's drive for a broader and growing earnings base. We have a strong balance sheet that is empowering future investments, which will continue to provide rewards to shareholders.



Brian Jamieson
Chairman



We have a clear strategy that is accelerating Sigma's drive for a broader and growing earnings base.





We have introduced and invested in unparalleled pharmacy services and programs to support our pharmacy network and their customers/patients.

CEO and Managing Director's Report



The past 12 months have been defining for Sigma. We have delivered another year of improved financial performance, maintained a strong balance sheet, bedded down important acquisitions, invested in capacity and capability, and laid a clear path for future growth.

Sigma now has the largest footprint of branded pharmacies in Australia. Our growing network now exceeds 700 pharmacies across our Amcal, Guardian, Discount Drug Stores, PharmaSave and Chemist King brands. We have also strengthened our alliances to support more than 500 independent community pharmacies, in addition to wholesale and logistics services provided across all pharmacies. This scale provides significant opportunities that we are now pursuing.

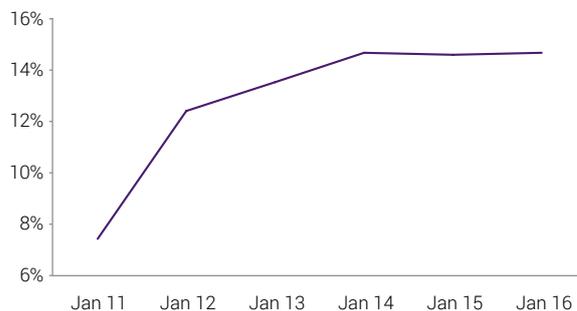
Some operational highlights for the year include:

- Sigma wholesale sales have grown by 9.9% in volume and 8.1% in sales. Within this, supply of over the counter (OTC) products has grown by 17.8%;
- sales to our branded pharmacy network has grown by 17.9% including the uplift from DDS and PharmaSave acquisition;
- the successful acquisitions of the CHS and DDS businesses have performed beyond our expectations at the time of acquisition;
- since year end, we have secured a long-term contract with major customer, the My Chemist/Chemist Warehouse Group, that improves our return on invested capital;
- construction of the CHS distribution centre in Eastern Creek, New South Wales, was completed to facilitate our push into the New South Wales hospital pharmacy and third party logistics markets; and

The DDS, PharmaSave and Chemist King brands have not only added a diversified market-facing pharmacy offering and wholesale expansion, they have continued to grow in their own right. Brand member numbers have grown from this time last year, validating the strength of the brands proposition.

Meanwhile, the CHS acquisition provides significant expansion opportunity in pharmacy wholesaling, hospital pharmacy distribution and third party logistics. The national hospital pharmacy distribution market alone is a \$2.5 billion industry, of which CHS has approximately 5% market share derived from Victoria only. The completion of the new CHS distribution centre in Eastern Creek, New South Wales, extends the reach of CHS beyond its Victorian base, enabling Sigma to access the New South Wales market with capacity and capability, providing an exciting growth prospect.

Return on Invested Capital (ROIC)



The investment in CHS is proving more successful than anticipated at the time of acquisition. Whilst counter-intuitive, the accounting standards required Sigma to write off the additional consideration of \$8.7 million paid. More importantly, the CHS acquisition is well placed to deliver long-term sustainable growth.

Our Private and Exclusive label (PEL) range of over 800 OTC products has grown sales by 9.6%. The brands are exclusive to our pharmacy network, providing quality product at competitive prices that deliver profitability to the pharmacy and to Sigma.

CEO and Managing Director's Report

continued

On a regulatory front, the Sixth Community Pharmacy Agreement (6CPA) between the Federal Government and the Pharmacy Guild of Australia took effect from 1 July 2015. The agreement provided industry certainty through to 2020 by securing significantly increased funding for our major customer group – pharmacists.

The 6CPA and related Community Service Obligation (CSO) agreement did not achieve the same outcome for wholesalers. Pharmaceutical Benefits Scheme (PBS) price disclosure reform continues to have a deflationary impact on wholesale revenue. Whilst adjustments to trading terms can largely offset the current impact, long-term sustainable industry solutions are required.

The government has commenced the Pharmacy Remuneration and Regulation Review that provides an opportunity to address the existing imbalance and establish a more equitable industry solution that is sustainable long-term. Sigma, through the National Pharmaceutical Services Association (NPSA), is an active participant in this process.

The existing regulatory environment emphasises why Sigma has been executing a deliberate and considered strategy to diversify away from PBS-related earnings. This year, 35% of our revenue is not reliant on the PBS. This is up from 33% last year. Whilst PBS revenue continues to be an important part of our DNA, we are less tied to it for our future financial prosperity.

We have elevated our retail pharmacy network to now have the largest footprint in Australia. We have introduced unparalleled pharmacy services and programs to support our pharmacy network. We have invested in people, capacity and capability to extend our reach. We have now embarked on a program to enhance our wholesale network.

There is much to be enthused about. We see a strong pathway to growth in front of us that we are confident will deliver baseline EBIT growth of at least 5% for the next two years, delivering sustainable improvements in shareholder returns.



Mark Hooper
CEO and Managing Director

We have invested
in people, capacity
and capability to
extend our reach.



Leveraging Our Capabilities

Sigma Retail Services

Our commitment to retail pharmacy has seen Sigma repositioned as the owner of the largest branded pharmacy network in Australia, almost double that of our nearest competitors.

Our retail pharmacy network is growing in terms of public brand recognition, brand member numbers and pharmacy sales. We now have the largest footprint in Australia, with over 700 pharmacies operating under Amcal, Guardian, Discount Drug Stores, PharmaSave and Chemist King, and a strong pipeline of growth in front of us.

Each brand maintains community healthcare at its core, yet has its own unique service offering, providing flexible brand solutions to meet the needs of any pharmacist anywhere in Australia – from full service models to discounters, and everything in between. Importantly, the relentless pursuit of improved compliance to brand standards is providing tangible results across the brands.

In addition, we have long-term partnership agreements in place to provide independent pharmacy support services to more than 500 independent pharmacies.

In supporting our network, we have continued to invest in people, programs, products and services to enhance our retail pharmacy offering.

New senior management were appointed to Sigma's operations to provide broader business perspectives and bring new thinking to an industry that is adapting to change. This has further strengthened our focus on improving our customer value proposition through implementing a number of initiatives, including:

Sigma Financial Services

- Providing support services to help pharmacies better manage their finances.
- Pharmacy finance referral program.
- Pharmacy fit-out finance with flexible and tailored bank support.

Pharmacy Formats

- The introduction of Amcal+ to progressively replace the Amcal Max brand and provide a fresh, reinvigorated retail pharmacy format. It is anticipated that 70 Amcal+ stores will be operational by the end of 2016.
- The more recent relaunch of the Guardian brand, with a new brand proposition bringing an exciting customer focused model. The relaunch has already proven successful, with 23 new members signing within the first month.
- The launch of the new Beauty Boutique, with sales in pilot stores increasing by 53% year on year.

- Discount Drug Stores brand continues to be one of the strongest growing brands in the market, with an additional 22 members signing during the year. Collectively, DDS, PharmaSave and Chemist King have grown member numbers by over 10% in the last 12 months.

Technical Platforms

- Investment in data analytics (Signal) to deliver unparalleled knowledge to the pharmacy to better manage pharmacy performance and profitability on a daily basis.
- The introduction of the Sigma Resource Centre, to provide tailored, customisable levels of support to suit the needs of all pharmacies – branded or independent.
- Greater utilisation of space optimisation tools to refit pharmacy floor plans and relevant ranges to improve pharmacy performance.

Healthcare Programs

- Continued emphasis on delivering structured professional service programs across our branded pharmacy network, with campaigns including sleep apnoea, diabetes, eczema, flu, kidney health and coeliac.
- The launch of the Sigma Generics Program (SGP) to drive generic substitution and pharmacist profitability.
- The role of brand ambassadors extended and broadened, with Dr Cindy Pan becoming the Professional Services Ambassador across Amcal and Guardian, and Rachael Finch the Beauty Ambassador across Amcal and Guardian.

Online

- The extension of the online store to now offer almost 9,000 products to consumers.
- Enhanced online mobile offering, bringing greater control and accessibility to consumers.
- The successful launch of Click and Collect across our branded pharmacy network.

Private and Exclusive Label (PEL)

Sigma is a pharmacy market leader in bringing a range of over 800 quality Private and Exclusive label products to consumers, delivering healthy sales and profitability for both the pharmacist and Sigma.

- OTC Sales for the year were up 9.6%, with strong profit performance contributing to our strategy of diversifying Sigma's revenue to reduce our reliance on PBS revenue.
- Our exclusive Boots Laboratories skincare range has continued to drive consumer demands, with the range consistently ranked number one in category and sales, exceeding expectations.

- Sigma owned brands – colour THEORY, beauty THEORY and skin THEORY, have carved a niche in the pharmacy space, providing quality products at affordable prices and now contribute 25% of the total sales in Sigma's skin and cosmetics categories, and we are continuing to grow.
- Pharmacy Care is Sigma's exclusive label range comprising over 300 products across 27 health, beauty and baby categories.

Loyalty Programs

- Extensive Sigma Rewards program to reward and encourage our pharmacy members.
- Quality consumer facing loyalty programs in Amcal and Guardian that have a customer base of 3.2 million.

Our innovation and business extension does not stop there, with many exciting initiatives planned for the year ahead to continue to position our brands as leading pharmacy brands in the market.

Sigma Logistics Services

Distribution remains core to what we do, and the 2015/16 year has been another successful year for our wholesaling and distribution business. Sigma volumes have grown by 9.9% for the year, through a combination of organic growth and growth from the progressive migration of the wholesale business for Discount Drug Stores, PharmaSave and Chemist King.

Whilst wholesale revenue was adversely impacted by the Federal Government PBS price disclosure, our strategy of diversifying from our reliance on PBS revenue is driving our growth.

The Sigma distribution centres saw over 265 million units received, replenished, picked and despatched in more than 12 million totes and cartons during the year.

With increased volume comes an increased cost. Sigma logistics costs for the year were up 7.5%, with volumes growing by 9.9%. Overall, warehouse productivity improvements were achieved across all sites to help contain cost increases. Enhancement in our freight arrangements was a major focus during the year. Following a successful two-year contract that resulted in Kings Transport winning the Sigma Services Supplier of the Year award for the second year running, the metro freight contract with Kings Transport was extended for a further five years to provide strength and stability to the business partnership. In addition, new country freight contracts were awarded to Star Track in Western Australia, Tamex in New South Wales and Followmont in Queensland.

Our current and projected growth is an enabler of capital investment in new distribution centres across our network, implementing advanced technology platforms. It is this investment that will drive future step changes in productivity and cost management.

A new 8,000 square metre distribution centre in Eastern Creek, New South Wales, was added to our network during the year. This distribution centre provides the capacity for CHS to pursue growth in the New South Wales market, through providing logistics support to Sigma Hospital Services in New South Wales as well as by attracting and retaining third party logistics contracts. This is new business for CHS, and provides an exciting business expansion opportunity leveraging existing skills and capability.

The next exciting step is the \$60 million development of the new distribution centre in Berrinba in south east Queensland, with construction to commence in the first half of 2016. Following major concept and design work, project builders have now been appointed and contracts for automation have been awarded to deliver a state-of-the-art facility that will continue to drive efficiency improvements for the future. The new distribution centre is expected to be fully operational in the second half of the 2017 calendar year.

Attention now turns to renewal of our distribution centres in Western Australia and New South Wales, with New South Wales being the largest state by population and providing the greatest prospects of market share growth for Sigma.

Sigma Hospital Services

Sigma's acquisition of CHS in May 2014 represented Sigma's first strategic foray into hospital pharmacy distribution. The CHS hospital business has continued to perform strongly in its Victorian homeland, with sales up 10% for the year, capturing around 5% of the national market. With an estimated national market size of around \$2.5 billion, there is significant expansion opportunity ahead.

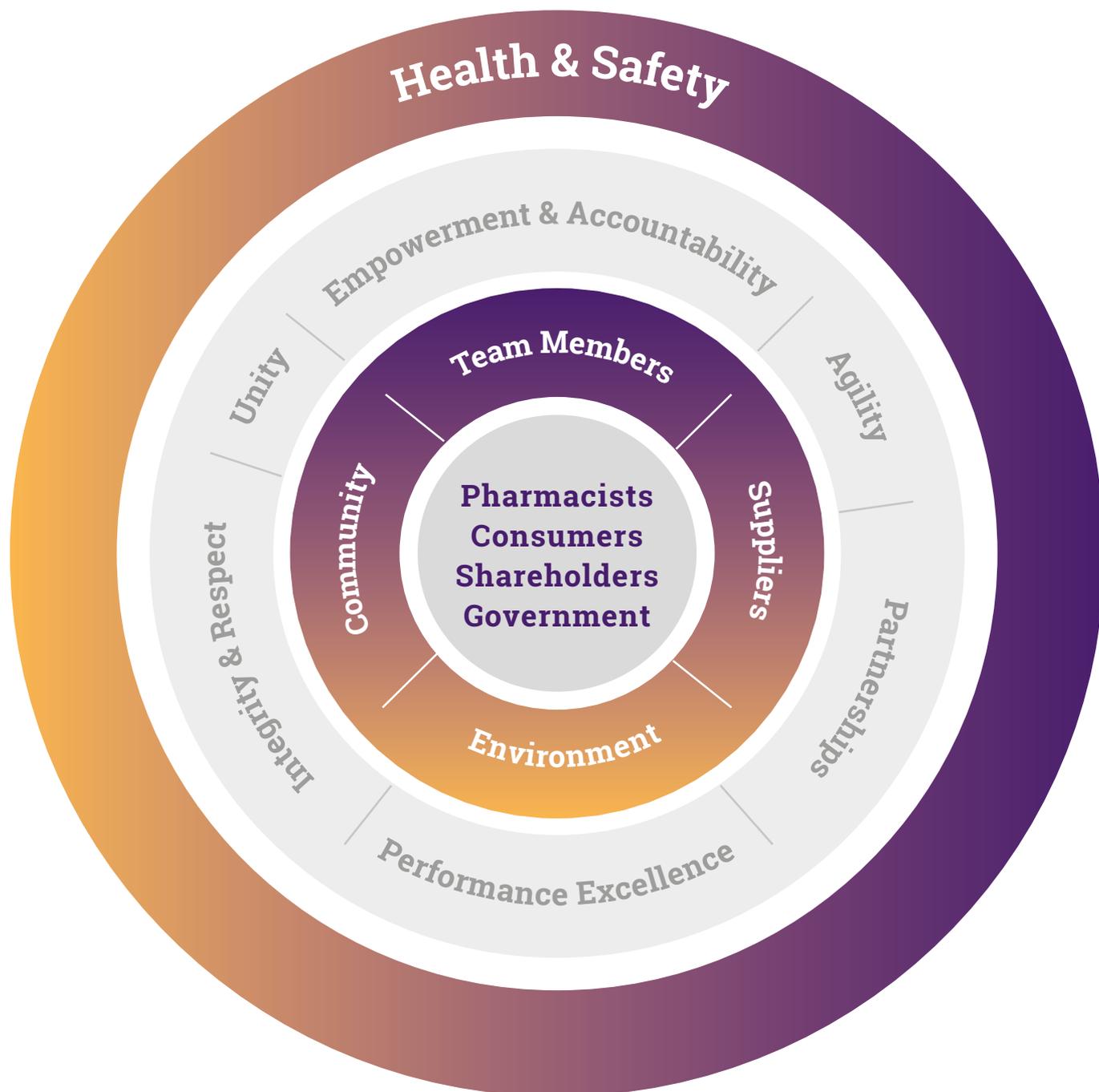
Under the new brand Sigma Hospital Services and with new team members to pursue our vision, the business is poised for growth. Through leveraging the existing CHS warehouse network in Victoria and Queensland, and the new warehouse in New South Wales, daily shipments and tailored solutions can now be provided across the eastern states. Sigma Hospital Services has strong ambitions to expand nationally and become a third national hospital distributor, creating a more dynamic and competitive marketplace.

This is new business for Sigma, and provides an exciting business expansion opportunity leveraging existing skills and capability.



Leveraging Our Capabilities continued

Business sustainability underpins everything we do at Sigma, and is rigorously enforced through all aspects of our business.



Valuing Our Team Members

The diversity of the roles within our workforce, from warehouse workers involved in forklift driving or manual handling, to the sales force out on the road or office workers, means there is a varying degree of risk. Regardless of role, the health and safety of our team members is Sigma's number one priority that will not be compromised.

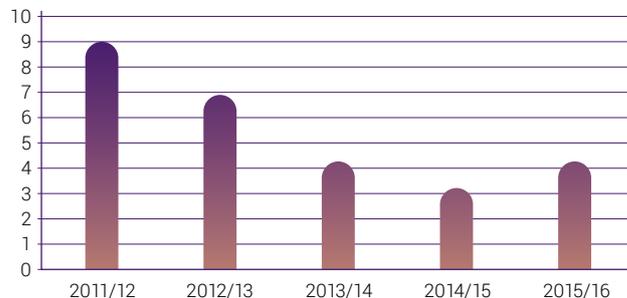
We actively and regularly engage with our team members to ensure a safe and healthy workplace is front of mind for all team members across our network.

Health and Safety

Audits are conducted annually adopting a systematic and objective review of each element of our Health and Safety Management System (HSMS) through documented evidence, interviews, discussions and observations.

Sigma undertakes a proactive approach to help manage and reduce risk through a review of safety lead indicators. 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 99.49% during the year, with no site dropping below 97.73%.

Lost time injury frequency rates (LTIFR)



After consistently reducing over the last four years, our LTIFR increased from 3.39 last year to 4.36 this year. Whilst disappointing, the increase drove a detailed analysis of the LTIFR incidents over the past three years, which identified a trend of team members sustaining injuries as a result of simple falls on flat ground. Each injury identified bone health and density as a significant contributor.

Valuing Our Team Members continued

In response, and as part of our proactive injury reduction program, we now offer free bone density scans to Sigma team members. The program aim is to raise awareness of bone health and assist team members who are at risk, providing them with information to strengthen their bones and recommendations to visit their doctor to discuss their results.

Other proactive initiatives implemented by our Health and Safety teams across the organisation include:

Drug and alcohol awareness training – delivered during 2015 to all team members in Sigma, utilising a combination of face-to-face training and online modules. The training was delivered as part of our education sessions prior to commencement of random drug and alcohol testing across all sites.

Life! Program – this health and wellbeing initiative helps team members reduce their risk of type 2 diabetes, stroke and cardiovascular disease by providing them with the knowledge, tools and support needed to modify their lifestyle.

Fire Safety Training – Sigma commenced the roll-out of BullEx Intelligent Fire training system across the business. The system permits hands-on portable fire extinguisher training with simulated fire scenarios, within a training room or office environment.

This proactive approach is proving successful, with the following achievements of note:

- medical treatment injuries (requiring treatment by a doctor) were down by 6% from the previous year;
- four Sigma sites reached the milestone of 3,000 or more LTI free days; and
- our Rowville head office reached Recognition Point 2, achieving benchmarked best practice for Mental Health and Wellbeing in the Victoria Government's Healthy Together Achievement Program.

Team Member Climate Survey

Sigma has again conducted the annual employee Climate Survey to understand the level of engagement of our team members, identify areas where we have made progress, and identify areas for further improvement.

The 2015 Climate Survey responses were overall positive, with a company-wide satisfaction level at a record high of 76%.

The last 12 months has seen a focus on developing areas that were identified in last year's survey as requiring attention. This included workplace flexibility, team member benefits and communications from head office.

The top 10 performing measures across Sigma again all received satisfaction ratings above 80%, and in some instances above 90%. These included:

- I have good relationships with the people I work with
- I understand Sigma's core areas of operation
- I respect my Manager
- I value communications from head office
- Sigma provides a safe working environment
- Sigma embraces diversity

The survey has again identified areas that management will continue to address to drive continuous improvement. The implementation and development of internal tools such as a new intranet site and human resource system will provide enablement platforms to improve in various areas across the business.

“Sigma's change in approach to family flexibility and working has been a breath of fresh air and a welcome change to the way the Company thinks about its employees. Thank you for listening, but, more importantly acting.”

Sigma team member from the 2015 Climate Survey

Caring for Our Environment

Whilst Sigma has a fairly low touch environmental impact, we are committed to ensuring we drive operational improvements to minimise the impact from the things we can control, and to ensure we have a sustainable business model from which to grow.

Australian Packaging Covenant (APC)

Sigma was the first pharmaceutical wholesaler in Australia to become a signatory to the APC, a sustainable packaging initiative that aims to change the culture of business to design more sustainable packaging, increase recycling rates and reduce packaging litter.

Our submission is available on our website, or can be viewed at www.packagingcovenant.org.au

Logistics

Delivering essential medicines to our customers is core to our business. Our distribution network is extensive and is expanding. We have 15 warehouses delivering up to one million products daily to community pharmacies and hospitals across Australia.

Our environmental focus is on ensuring we operate an efficient and effective distribution network. This includes:

- utilising live delivery data to better manage route allocation, vehicle size and route times;
- utilising reusable and recyclable cardboard tote boxes through the supply chain;
- utilising reusable moulded polyethylene cool boxes with removable eutectic freezer plates to maintain desired temperatures;
- extensive driver training covering manual handling, fatigue management, environmental awareness, safe driving and customer service; and
- offsetting our environmental footprint through Greenfleet, leading to the plantation of native forests to offset the environmental impact.

Distribution Centres

During the year, Sigma continued to focus on the waste management initiatives implemented in the previous year that successfully led to the diversion from landfill improving from around 20% waste (approximately 42 tonnes) to over 62% (approximately 136 tonnes).

Sustainability of our operating environment forms an important part of our thinking as we move into a phase of capital investment to renew our distribution centre infrastructure. Plans for our new distribution centre in Berrinba in south east Queensland feature significant environmental initiatives to reduce power and water consumption and lower our greenhouse gas emissions.

These initiatives include:

- LED lighting installed throughout the distribution centre (DC) (internal and external) – energy efficient.
- Movement detector control switching in most areas – avoids lights being left on unnecessarily.
- Separately switched lighting zones in the warehouse – permits lights to be on only in the areas work is occurring.
- Highly efficient (variable speed compressors) roof-mounted package units to provide cooling in the DC – compressor usage is matched exactly to the cooling need.
- Warehouse cooling controlled by an environmental monitoring system – accurately monitors and controls the required cooling.
- Separate energy meters for lighting, power and mechanical services connected to the building management system – provide accurate energy consumption figures.
- Solar hot water – utilised in the amenities and lunch room.
- 250kW roof-mounted solar power system – will generate up to 20% of annual electricity usage and will save up to 340 tonnes of CO₂ per annum.
- Stormwater collection (40,000 litres capacity) – utilised for flushing of toilets and irrigation of landscaping.
- Highly efficient water fixtures – reduction in water consumption.
- Water used in monthly fire pump tests is recycled back into the water storage tanks.



Supporting the Community

With the largest footprint of pharmacies in Australia, Sigma and our branded members are well connected to the communities in which we operate, and are in a unique position to support and grow community engagement.

Corporate Partner – Summer Foundation

At a corporate level, Sigma has continued to support the work of the Summer Foundation, which creates and demonstrates long-term sustainable changes to prevent young people with acquired disabilities from being forced to live in nursing homes because there is nowhere else suitable for them.

The Summer Foundation goes beyond research and engagement. It has also developed housing projects that provide real and tangible evidence of the viability of alternative housing solutions that empower these young, affected people to regain some independence and assimilate back into the community.

Sigma proudly supported the 'Summer in Winter' fundraising and awareness campaign, and in November 2015, 35 Sigma employees took on the Upstream Challenge, walking either 20km or 50km and raising \$10,000 and awareness in the process. In addition, as part of Sigma's Christmas giving program, \$20,000 was donated to the Summer Foundation. These funds go towards supporting the housing development program.

To find out more visit www.summerfoundation.org.au

Retail Partner – Carers Australia

Sigma has also become a proud supporter of Carers Australia, the national organisation behind the often unheralded community heroes.

Carers are an integral part of Australia's health system and are the foundation of our aged, disability, palliative and community care systems. Carers provide unpaid care and support to family members and friends who have a disability, mental illness, chronic condition, terminal illness, alcohol or drug issues or who are frail. Carers Australia is dedicated to supporting these carers in the community.

At Sigma's Supplier Awards Gala, Carers Australia was the major charity partner. Around 400 attendees dug into their wallets, raising \$20,000 for this great cause. Sigma matched this, raising the total to \$40,000 to help support the programs run by Carers Australia. More exciting initiatives are planned for the future.

Australia has about 2.7 million carers, 12% of the population, who form close relationships with our pharmacies and are aligned with Sigma's vision of supporting community health. To find out more, visit www.carersaustralia.com.au

Sigma has also become a proud supporter of Carers Australia, the national organisation behind the often unheralded community heroes.

Retail Pharmacy Network Support

The Guardian Angel Program has been harnessing community support for over 17 years. In that time, over two million garments have been knitted and provided to various charities to support those in need. The Guardian Angel Program is run in partnership with Spotlight.

This year's program partner, Kids with Cancer Foundation (www.kidswithcancer.org.au), provides much-needed assistance for young children who are going through cancer treatment.

Sigma's community support has extended to countless other worthy causes, including donations to SIDS in recognition of a team member who experienced tragic loss, donations in support of Pollie Pedal, Oxfam and the Australian Food Allergy Foundation.

PharmaSave continues to engage the community to support the 'I Give a Buck' Foundation. The Foundation raises funds at a local community level to support children in the community who have fallen through the cracks of our existing health and welfare systems, and need support that is not otherwise available to them.

Discount Drug Stores is committed to financially and physically giving back to the community and helping to improve the health of Australians. From sponsoring Assistance Dogs Australia puppies, to going on mission trips to child refuge homes in Kolkata (Free To Be) and competing in countless fun runs and bike rides, over the past four years Discount Drug Stores has raised over \$160,000 to help those in need. In addition to our two main partners, Assistance Dogs Australia and Free To Be, Discount Drug Stores has also provided regular support to fundraising events for multiple sclerosis, cystic fibrosis, the McGrath Foundation and cerebral palsy research, and is always looking to widen our community outreach endeavours.



Shine at Sigma

Sigma has an ongoing program of recognising our employees and supporting the things that matter to them. As part of our Shine at Sigma Awards, the employee of the year and runner-up are each able to select a charity of their choice to which Sigma donates on their behalf.

This year's winner, John Brophy (Launceston DC manager) went to extraordinary lengths to support the King Island community with emergency deliveries when the only pharmacy on the island burnt down in January 2015. John selected the Melbourne Royal Children's Hospital, whilst runner-up Michelle Walker selected The Lighthouse Foundation as their charities of choice.



Recognising Our Partners

Supporting Our Partners

Recognising Our Pharmacy Partners

Sigma believes in recognising and celebrating the successes of our team members, our pharmacy members, our suppliers and their dedicated teams.

The 2015 Amcal and Guardian Retail Pharmacy Conference was held on the Gold Coast in March 2015. This event not only showcased the business initiatives Sigma was bringing to market to support the success of our pharmacy members, it was also an opportunity to recognise and celebrate achievements of our members.

Sigma congratulates Urunga Amcal New South Wales, Amcal Max Dapto in New South Wales and The Circle Guardian Pharmacy in Victoria for taking out the respective Pharmacy of the Year award.

The Discount Drug Stores brand also achieved major recognition during the year.

In May 2015, the Pease Street Discount Drug Stores in Cairns was awarded the GuildCare's third annual Pharmacy of the Year award for its effective use of and exemplary commitment to delivering GuildCare's five professional service programs to its customers.

In July 2015, the Mandurah Discount Drug Stores was awarded the inaugural NDSS Community Partner of the Year award during National Diabetes week.

Recognising Our Supplier Partners

Sigma is committed to fostering strong and valued partnerships with our suppliers to drive continuous improvement through the supply chain to the ultimate benefit of our pharmacy customers and their communities.



Dr Cindy Pan

Professional Services Ambassador
for Amcal and Guardian

Almost 400 people attended the 2015 Sigma Supplier Gala Awards night where GSK was recognised as the Sigma Supplier of the Year Award winner. Award winners on the night included:

Sigma Supplier of the Year

GSK

FMCG Supplier of the Year

RB

Medicinal Supplier of the Year

GSK

Health and Wellbeing Supplier of the Year

Evolution Health

Beauty/Gifting Supplier of the Year

Revlon

Multichannel Supplier of the Year

Salmon

Ethical/PBS Supplier of the Year

Janssen Cilag

Generics Supplier of the Year

Aspen Pharma Pty Ltd

Specialised Ethical Supplier of the Year

Mundipharma

Professional Services Supplier of the Year

Roche Products Pty Ltd

Services Partner

Kings Transport & Logistics

Pharmacy Support

AIW Printing Pty Ltd

The evening also saw \$40,000 raised to support the work of Carers Australia. Special thanks go to Rachael Finch and her husband Michael for auctioning a dance lesson in support of this great cause.



Rachael Finch
Beauty Ambassador for
Amcal and Guardian



Sigma is committed
to fostering strong and
valued partnerships
with our suppliers.

Board of Directors



**Mr Brian Jamieson
(Chairman)**

FCA, MAICD

Non-Executive Chairman and Director

Mr Jamieson was 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. He is also Chairman of Mesoblast Limited and 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 and Managing Director)**

BBus (Acc), CPA, FFTP, MAICD

Executive Director

Mr Hooper was appointed Managing Director of Sigma Pharmaceuticals Limited in August 2010. He 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 he was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mr Hooper was Chief Financial Officer of Sigma from 2001 to 2006. He has not held a directorship of any other listed entity during the last three years.



Mr David Bayes

FAICD

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

Mr Bayes was appointed a Director of Sigma in June 2007. He 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 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. He has not held any directorships of listed entities in addition to those set out above during the last three years.



Ms Kate Spargo

LLB (Honours), BA, FAICD

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

Ms Spargo was appointed a Director of Sigma in December 2015. She is a member of the Risk Management and Audit Committee. 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's current directorships in listed entities include Chairman at UGL Limited and Non-Executive Director at Sonic Healthcare Limited, Fletcher Building Limited and Adairs Limited. Ms Spargo has not held any other directorships in listed entities over the past three years. In addition, Ms Spargo's current directorships in unlisted companies include Director of ColInvest Limited and SMEC Holdings Limited. Ms Spargo is a fellow of the Australian Institute of Company Directors.



Mr Raymond Gunston

BComm (Hons), DipEd, FCPA, GAICD

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

Mr Gunston was 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 – Finance, Corporate, and Major Projects 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 Manuel

BPharm, MPS, MAICD

Non-Executive Director, Member of People and Remuneration Committee

Mr Manuel was 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.

Executive Leadership Team



Mr Mark Hooper

BBus (Acc), CPA, FFTP,
MAICD

CEO and Managing Director

Mr Hooper was appointed Managing Director of Sigma Pharmaceuticals Limited in August 2010. He 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 he was the Chief Financial Officer and Chief Operating Officer for the Pharmacy and Consumer business for Symbion Health Limited. Prior to that Mr Hooper was Chief Financial Officer of Sigma from 2001 to 2006.



Mr Jeff Sells

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

Chief Financial Officer

Mr Sells rejoined Sigma in August 2010 having previously worked for Sigma as Group Treasurer from 2002 to 2004. Prior to rejoining Sigma, he was Chief Financial Officer of Citadel Resources Group Ltd from 2008 and before that spent four years as Chief Financial Officer for Oxiana 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 in 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, Gary spent 17 years with Woolworths in a variety of senior management roles.



Mrs Jackie Pearson

BAppSc (Psych)(Hons), MBA

General Manager Human
Resources

Mrs Pearson commenced with Sigma in August 2005. Prior to joining Sigma, she provided human resources advice to a variety of organisations within the private, public and government sectors. Mrs Pearson is responsible for Sigma's human resources activities including Occupational Health and Safety.



Mr Sam Lawson

B.Com., LL.B (Hons –
1st Class) Barrister and
Solicitor (VIC), High Court

General Counsel and Company Secretary

Mr Lawson was appointed as General Counsel and Company Secretary 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. Sam has also worked for Slaughter and May in London and Freehills (now Herbert Smith Freehills) in Melbourne.



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 January 2016

	Notes	2016 \$'000	2015 \$'000
Sales revenue	4	3,461,104	3,142,126
Cost of goods sold		(3,200,641)	(2,907,282)
Gross profit		260,463	234,844
Other revenue and income	4	73,240	52,369
Warehousing and delivery expenses		(122,948)	(111,734)
Sales and marketing expenses		(61,147)	(45,931)
Administration expenses		(51,786)	(43,935)
Loss on recognition of contingent consideration from prior year acquisitions	23(a)	(7,784)	-
Depreciation and amortisation	5	(9,027)	(7,558)
Amortisation of other intangibles acquired in acquisition	5	(940)	-
Profit before financing costs (EBIT)		80,071	78,055
Financial income		1,977	1,519
Financial expense		(5,457)	(3,978)
Net financing expense		(3,480)	(2,459)
Share of profit/(loss) of equity accounted investees, net of tax	25	210	(6)
Profit before income tax		76,801	75,590
Income tax expense	6	(26,386)	(22,818)
Profit for the year		50,415	52,772
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in fair value of financial asset	18	150	-
Exchange differences on translation of foreign operations	18	(41)	83
Income tax relating to components of other comprehensive income	18	(33)	(25)
Other comprehensive income for the year, net of tax		76	58
Total comprehensive income for the year		50,491	52,830
Profit attributable to:			
Owners of the Company		50,502	52,773
Non-controlling interest	24	(87)	(1)
Profit for the year		50,415	52,772
Total comprehensive income attributable to:			
Owners of the Company		50,578	52,831
Non-controlling interest	24	(87)	(1)
Profit for the year		50,491	52,830
Earnings per share (EPS) for profit attributable to the ordinary equity holders of the company:			
	Notes	2016 Cents	2015 Cents
Basic EPS	8	5.0	5.1
Diluted EPS	8	4.7	4.8

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Financial Position

As at 31 January 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	31(a)	17,407	34,284
Trade and other receivables	9	618,248	589,957
Inventories	10	288,626	251,385
Prepayments		5,087	4,246
Total current assets		929,368	879,872
Non-current assets			
Trade and other receivables	9	9,185	4,738
Property, plant and equipment	11	58,540	57,716
Goodwill and other intangible assets	12	101,538	98,261
Other financial assets		650	-
Investments accounted for using the equity method	25	-	7,934
Net deferred tax assets	13	9,370	7,142
Total non-current assets		179,283	175,791
Total assets		1,108,651	1,055,663
Current liabilities			
Bank overdraft	31(a)	73,014	-
Trade and other payables	14	446,112	450,633
Borrowings	15	11	291
Income tax payable		12,808	12,682
Provisions	16	14,350	13,592
Deferred income		2,781	1,122
Total current liabilities		549,076	478,320
Non-current liabilities			
Other payables	14	295	-
Borrowings	15	1,028	339
Provisions	16	3,989	3,560
Deferred income		609	443
Total non-current liabilities		5,921	4,342
Total liabilities		554,997	482,662
Net assets		553,654	573,001
Equity			
Contributed equity	17	1,238,394	1,255,466
Reserves	18	10,648	20,386
Accumulated losses		(696,890)	(702,850)
Non-controlling interest	24	1,502	(1)
Total equity		553,654	573,001

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

Five Year Summary

	2012 (\$m)	2013 (\$m)	2014 (\$m)	2015 (\$m)	2016 (\$m)
Operating results					
Sales revenue	2,853.9	2,942.4	2,973.5	3,142.1	3,461.1
EBITDA	74.7	28.8	76.6	85.6	90.3
EBIT	69.2	23.1	70.3	78.0	80.4
Profit/(loss) before tax	70.8	24.9	68.3	75.6	76.8
Profit/(loss) after tax ¹	49.2	18.7	53.5	52.8	50.5
Financial position					
Working capital	495.1	436.1	416.8	455.6	490.4
Fixed assets (including intangibles)	83.2	87.8	75.4	156.0	160.1
Other assets and liabilities	(9.4)	4.2	19.1	(72.2)	(40.2)
Capital employed	568.9	528.1	511.3	539.4	610.3
Net debt/(net cash)	(113.6)	(82.7)	(67.5)	(33.6)	56.6
Net assets	682.5	610.8	578.8	573.0	553.7
Shareholder related					
Dividend					
– ordinary per share	3.5c	4.0c	4.0c	2.0c	5.0c
– special per share	1.5c	-	-	1.0c	-
– total dividends (\$m)	58.9	47.0	44.9	32.8	54.0
Earnings per share	4.2c	1.6c	4.9c	5.1c	5.0c
Dividend payout ratio	120%	251%	84%	62%	107%
Net tangible asset backing per share	57c	51c	50c	43c	42c
Market capitalisation (year end) (\$m)	707	773	672	875	885
Ratios and returns					
EBIT margin ²	2.4%	0.8%	2.4%	2.5%	2.3%
Gearing ³	n/a	n/a	n/a	n/a	9.3%
Interest cover ^{4,5}	n/a	n/a	38.7x	34.8x	26.0x

1. Profit attributable to the owners of the Company.

2. EBIT/sales revenue.

3. Net debt/capital employed (year end). As at 31 January 2012–2015, the Group had cash and cash equivalent over and above total debt.

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

5. As at 31 January 2012 and 31 January 2013, the Group had positive net financing income.

Contacts

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Directors and Senior Management

Refer to page 22 of this review or visit
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Recent Dividends

Dividend	Date Paid	Cents Per Share
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	-	- #
2014 Final	30 April 2014	2.00
2014 Interim	23 October 2013	2.00

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

Shareholder Calendar*

2015/16 AGM	4 May 2016
Half-year results	8 September 2016
Ex-dividend	20 September 2016
Record date	21 September 2016
Interim dividend payment	3 October 2016
Full-year results	23 March 2017
Ex-dividend	6 April 2017
Record date	7 April 2017
Final dividend payment	21 April 2017
2016/17 AGM	3 May 2017

* 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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