2018 WELLCOM GROUP LIMITED ANNUAL REPORT

wellcom WORLDWIDE

2018 WELLCOM GROUP LIMITED ANNUAL REPORT CONTENTS

ACN 114 312 542

Our 2018 results demonstrate our determination to deliver not only clever, creative and effective marketing, but also innovative communications in an ever-changing digital world. We create ideas that, in turn, deliver great results for our clients' ongoing success. Our clients' success is our success.

WELLCOM BOARD

This is Drewery Lane, one of Melbourne's amazing labyrinths of tourist walkways. It was here, back in 1928, that the foundations of what is now the Wellcom Group were first brought to life.

Wayne Sidwell
CHAIRMAN

Janette Kendall
DIRECTOR

Kerry Smith
DIRECTOR

Charles Anzarut
DIRECTOR

"I am very proud to announce that our 2017-18 aims and objectives have been met – it has been a very positive result."

Our most valuable asset is our people. In the coming year we will be looking at expanding our policy to help nurture and foster our ongoing employee's wellbeing.

Dear Fellow Shareholder

I am very pleased to announce that 2018 has been a very solid year with positive results emanating from all of our global businesses and covering our total list of products and service offerings. The business has been growing across the globe and all of the planning of the last three years is paying dividends. But there are always more challenges and developments to maintain the continual momentum for the future.

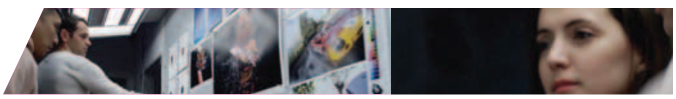
While the Wellcom business began in 2000, it was based around our original family business whose pedigree and drive saw the company reach its centenary. For more than 100 years the company remained industry leaders in Victoria and Australia, based on the mantra 'first with the best'. I am proud of the fact that members of the Sidwell family have been at the helm of the business throughout most of the journey. And I believe the Wellcom success is a firm continuum of this 100-year history.

Last year we proposed many important strategies to drive the business forward to get to where we find ourselves today – and I believe the results speak for themselves.

In line with change we have brought in or promoted key personnel into new leadership positions in Sydney, Melbourne, New York, Auckland and London. Already every one of these leaders has relished the opportunity and have contributed to the strong 2018 result.

The U.K restructure which began several years ago under the stewardship of Andrew Sidwell, has been completed by Duncan Stokes after his appointment in late 2016. Duncan was challenged with change management structural issues, deploying Knowledgewell into the Tesco business, as well as working with Jared Domow to establish Dippin' Sauce London under the management of Gary Meade. I'm delighted to report that Duncan has done an excellent job taking Knowledgewell to more than a thousand users globally for Tesco. The London team had to do all of this work while at the same time moving the entire operation to new premises in Berry Place, Clerkenwell, London.

It also included a Wellcom hub model placing business units within client premises to handle marketing including account management, design, video, digital, print, copywriting, 3D creation and animation, photography, high end retouching and print management. These hubs also produce significant vertically integrated upsell revenue. Our hubs are beginning to broaden their scale and service levels and now the new roll out is becoming a powerful business model. This incorporates virtually all of the Wellcom Group products and services, conveniently packaged and positioned in the client's premises. Never before have we offered so much localised service options for client consumption. By way of example two new 'super' supermarket businesses at opposite ends of the globe, are up and running, notably Countdown in New Zealand and Southeastern Grocers in the U.S. Countdown is New Zealand's



"Looking after the wellbeing, health and safety of our people goes a long way to ensuring a healthy, vibrant and successful business."

Wayne Sidwell
CHAIRMAN

This has been a fine inclusive team effort, and I want to extend my appreciation to all of our staff across the globe for their individual contributions to get the business to where we stand today. I am very proud and pleased with our result and the people who drove it.

largest grocery chain and Southeastern Grocers is one of America's largest grocery businesses.

Our Knowledgewell solution is now a mature technology that creates tangible and measurable efficiencies for any business while driving down significant cost.

Our Malaysian operation, the 'Centre of Excellence', is proving its worth as a 'go-to' operation for all of our Wellcom Worldwide businesses. Managed by Grant Glover, this enterprise level undertaking is excelling in terms of accurate throughput with quality control. Grant's original brief was to build quantity throughput, but within a very short time quantity is matched with quality, and as a result, we are continually growing the operation to cope with the increased demand. Last year the 'Centre of Excellence' moved into digital production and this has been a further option for all of the Wellcom offices to get overload assistance for digital work. It cannot be emphasised enough that we were front runners in our off-shoring policy and rather than find partners with the usual partnership issues, we went out and built our own business from the ground up.

The Group has placed much effort into securing client retention and increased new organic business growth from existing clients as an additional source of revenue. Having been a consistent theme over many years, I'm now pleased to report that the account service levels of the Group have demonstrated a new maturity and increased new business activity.

The Port Melbourne operation has also undergone a major refurbishment offering a more open, aesthetic, design studio look and feel. As clients are building their relationships with Wellcom, more are coming in to brief their work rather than provide offsite briefs with an account service representative. To manage this, particular emphasis has been placed on meeting rooms to allow clients to brief work in more amenable and inviting surroundings.

In America, Dippin' Sauce has moved into a section of thelab giving them more space and access to additional resources, while still maintaining a separate brand identity.

Our growth into digital has been significant in the past year and as the portfolio of new work expands rapidly, the business has used this as good reason to talk to other clients where digital relationships have not been formed previously. The Board has been delighted with the success of this strategy and our website regularly reflects the momentum we are building. It's interesting to note that we came from a traditional media background and although our print catalogue production has diminished slightly, digital has filled the breech. A Roy Morgan poll from April this year found that 28% of Australians still read catalogues – not just pick one up and put it down again – but actually read some or all of the contents. In a digitally enlightened age, this is an interesting statistic and good reason for us to maintain our high volume of catalogue pages. The same survey also found that 38% of Australians when making their alcoholic beverage selection, will use a catalogue over all other media. To simplify catalogue building, Knowledgewell has a dedicated module that actually builds catalogue pages without studio intervention.

Media placement has become a minefield for clients. The TVC is no longer what it was twenty years ago – today it's more expensive than ever and no longer has the audience reach it once had. But the concept of the TVC remains, but not necessarily appearing on television. Today, video is being fast forwarded to the digital world. This is due to the new audience in the digital space and because the digital medium has to be constantly fed content – it's insatiable – new content – rich content – not weekly – mostly daily – and 'always on' demand.

The digital road is a myriad of content convergence and as stated, one of the most popular vehicles is video creation played on Facebook, YouTube, Vimeo, and on the client's own website. The reasons are at the same time obvious and complex – obvious because video masters the visual and the audio in combination and tells a story faster than any other medium, and complex because video has to work in collaboration with a digital medium that will carry it to its target audience. We are investing heavily into talent with the capability to lead in this biggest of growth landscapes for our clients.

Video on its own is not enough for a vertically integrated business like Wellcom, as the add-ons are equally important and this includes photography, 3D, post production and particularly, project management. It is for these reasons that we are fast emerging as a serious cross-media creation and production player.

Decoupling

Decoupling is nothing new to Wellcom Worldwide. We've won business specifically on our ability to decouple production and Wellcom is very happy to assist clients decouple any parts of their production and creative. In other words, create success with one project, and this gains client confidence, which in turns leads to other projects

in other media. With Wellcom, clients are buying superior services for less money, produced faster.

New business has run at a good pace this year and I am pleased to see the levels of product type spread across the entire Wellcom footprint. Of particular note is the fact that digital new business represented significant new gains in the U.K and U.S markets.

David Bridges at thelab and his team including Jared Domow, Max Oshman amongst others, have been standouts, and the work coming out of the U.S is very impressive in both creative and production standards.

Andrew Sidwell and his Australia / New Zealand team are fulfilling their vision and this has been exemplary in terms of growth and developing new markets.

Knowledgewell has had another stellar year breaking into the U.S and New Zealand marketplaces, and formed around 50% of new Australasian business gains.

Forecasts

Our point of separation is strong and we remain the only digital creative production company to have built its own enterprise level proprietary software in Knowledgewell – a software that is providing enriched services in retail, communications, finance corporations and manufacturing.

We have very close ties with global retailers and can offer digital online and traditional offline services, and of course, Knowledgewell software. We are growing the supermarket corporate space as seen with new business Southeastern grocers in America and Countdown in New Zealand. Supermarkets are under enormous competitive pressure and the biggest in Australia are Wellcom and Knowledgewell clients. Knowledgewell backend solutions helps keep them competitive and responsive to the changing media landscape.

Our future is unfolding and the next few years will see even more change in the industry with all the media channels competing including subscription TV delivered through online means. This includes Google, Facebook, YouTube, and all of them fighting for advertising dollars.

In terms of gearing for this type of work, the foundation work started in 2015 in New York with the acquisition of thelab. David Bridges took his business into a much stronger creative and digital service offering, and Dippin' Sauce emphasised this further. There are many opportunities in terms of new business for next year and I expect it be an exciting time. Some of these are Knowledgewell based and from such opportunities we have found that synergistic upsell is generally a given.

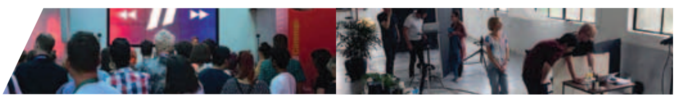
Following on with our usual practice since floating, we delivered to shareholders a further increased fully franked dividend of 46 cents per share, up 100% from last year.

I believe we have closely looked at all the parameters in supplying content for any and all media channels and we as an organisation have the resources and thinking to adapt to any such change or any disruption. Our client's success is our success.

Wayne Sidwell
CHAIRMAN

The Board recognises the splendid work performed by the Executive Management Team consisting of Andrew Sidwell, David Bridges, Michael Bettridge, Andrew Lumsden and Duncan Stokes.

ALL INDICATORS SHOW WE ARE LOOKING AT A PROMISING 2018-2019.



"We are perfectly positioned to take advantage of the markets move to multi-channel, creative and targeted content. The modern creative content agency needs to be agile, creatively nimble, and able to integrate smart workflow technology. This is the new Wellcom and it represents our evolution over the past few years. This year's result demonstrates our ability to grow in a volatile market, and that our model matches the needs of tomorrow's marketer."

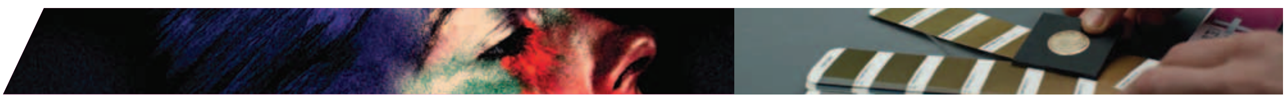
Dear Shareholder,

One year into the role of CEO Australia/New Zealand, I see a solid future unfolding for the Group for 2019 and beyond.

2018 was an exciting year of fast-paced change, with an explosion of social media and digital creative, on the back of clients' insatiable appetite for more rich and engaging content. In Australia especially, marketers transitioned much of their spend to digital and social content, away from traditional media. Digital and social content requires art direction, copywriting, design, photography, motion graphics, and videography – all services that Wellcom already provides. This is reflected in the excellent 2018 results, where organic growth and new business contributed across all markets and divisions.

This year we rebranded our company logo to match our evolved brand positioning, from a traditional production company to a global creative content agency. This was extremely well received from customers and the industry alike. We complemented this with global corporate brand alignment with 'thelab' and 'Dippin' Sauce' in North America, launching three new websites to showcase the breadth of services of the Wellcom Group.

As part of our 2017 management strategy, we embarked on a series of senior management changes in 2018, elevating the brightest performers within the Group, as well as some new outside appointments to bring new leadership energy. Duncan Stokes while being appointed in the previous year, took over from



“Wellcom is a client driven business with an impeccable spread of products and services across all media. Cloud-based proprietary technology underpins the entire global business.”

Andrew Sidwell
CHIEF EXECUTIVE OFFICER AUS/NZ

me in London and we could not be more delighted with his performance in the role. Melinda Phillips, who previously headed the Wellcom print management division, has been promoted to General Manager Melbourne. Rachel King who previously managed our client service teams, has been promoted to General Manager Sydney. And Duncan Harcourt, previously Operations Manager of Sydney, has been promoted to Operations Director (Australia/New Zealand) and oversees our operational excellence strategy. I congratulate them all and wish them continued success for 2019 in their new roles.

Last year I talked about key focus being placed on five areas of importance and these were:

- **Continued on-site studio re-engineering.**
- **Digital linked to social media strategy.**
- **Creative content creation.**
- **Consultation services.**
- **Expansion & development of Knowledgewell.**

All of these objectives have now been completed successfully and will continue to play an important role in Wellcom's success in the future. One of our key strategies was to expand and re-engineer our creative offering within our existing hubs to ensure our relevance in a fast-changing industry. This included changing staff skillsets to produce more digital and social content both directly within the Hubs and through our centralised creative service teams in Melbourne, Sydney and Auckland.

Our operation in Malaysia has added significant resources and enhanced their skill-set range to successfully offshore print and digital content for any of our global offices. Being in a strategically positioned time zone, offers all Wellcom business with an extended production window. This provides a superior speed to market for all our global customers.

Countdown supermarkets in Auckland, was a monumental win for Wellcom this year. Based on a competitive pitch, it led us to establish a dedicated end-to-end creative content production solution for the retailer. This allowed us to showcase the full potential of Wellcom's offering of creativity, multi-channel production, with world-leading marketing operations technology, Knowledgewell. Now that this new Creative Production Centre is established in Auckland, the focus in 2019 will be to leverage this infrastructure and use our unique production agency model to increase market share in New Zealand.

The Group places great investment on two services that represent the mainstay of our model, and these are on-site content studios (Hubs) and Knowledgewell. Both services are offered as separate products, but when linked together they provide a world-leading marketing and advertising solution to meet the modern marketers greatest challenges – that is, managing high volumes of content and data, increasing responsiveness and speed to market, whilst improving quality and delivering R.O.I.

Our proprietary software platform Knowledgewell, continues to be a key driver in Wellcom's growth. We have increased our investment in enhancing the platform to become a market-leader in marketing operations SaaS. Our end-to-end marketing operations software is highly attractive to brands who require a centralised platform to create, manage and repurpose high volumes of omni-channel media and product content.

After successfully implementing Knowledgewell into Tesco Supermarkets (UK) and Southeastern Grocers (US), we now have a great foothold in international markets and we will be looking to capitalise on up-selling this to existing international customers and introducing new global brands to the platform.

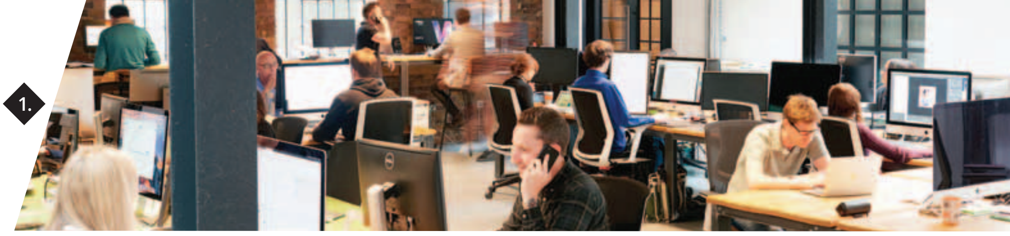
With a strong hold on global supermarket brands, we have also introduced 'Single Source of Truth' (SSOT) solutions to retailers, who are seeking a centralised location to store and manage large volumes of product data and information that is collected from multiple sources. Knowledgewell DAM provides this SSOT solution, providing order, clarity and integrity to dynamic product information that is integral for retailers to sell their products effectively online. This has been very effective for Australian supermarkets, who now need accurate product data more than ever, with the introduction of the Australian Government's new 'Country Of Origin' food labelling law.

Our print management unit and digital printing business, Digital House, also had a successful year and contributed positively. These services still represent important vertically integrated services. Wellcom's print management solution incorporates smart buying technology, transparency, and independency to ensure brands are purchasing a high-quality product at market rates. Our expert print consultants use Wellcom technology to collaborate and streamline the procure-to-pay process of printed materials

OUR WORK SPACE IS VITALLY IMPORTANT TO US

1. Wellcom London's new offices in Berry Place. Custom fit-out with more space.
2. Wellcom Melbourne's new fit-out at Lorimer Street.
3. Wellcom Auckland's new fit-out at Ellerslie.

1.



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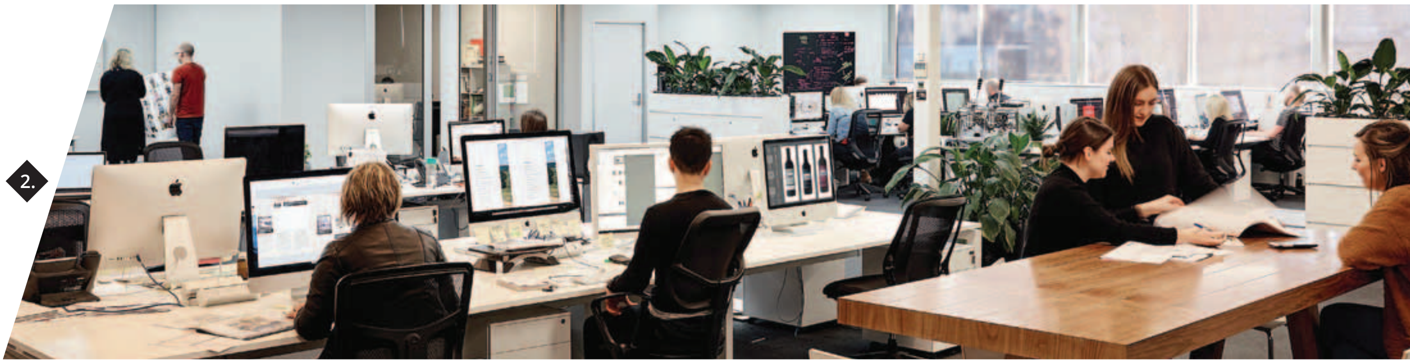

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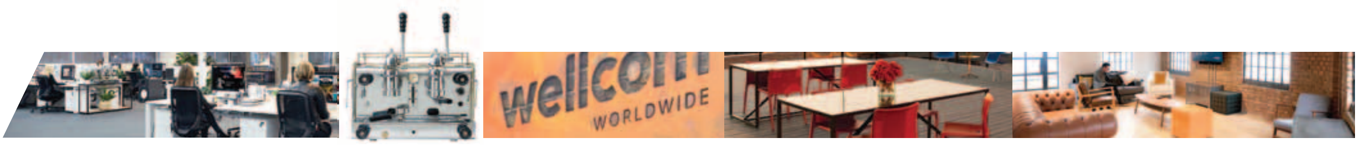
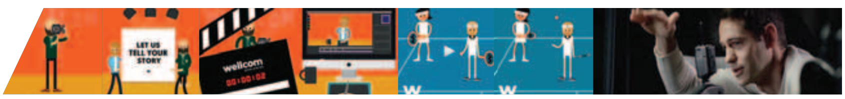


THE QUALITY OF OUR WORK IS VITALLY IMPORTANT

We are proud of the quality of work coming through all our global offices. This is why we are world leading content creators.



and related commodities and services. The solution sees buyers and suppliers work within the Wellcom platform to improve spend visibility and control, cost savings, and efficiencies to reduce risk and waste. By linking this team to other Wellcom clients, builds the potential for additional organic growth and complementing our omni-channel offering.

Wellcom will continue to concentrate our development efforts on new innovative software products and systems. These include a significant upgrade to our catalogue management system, which will streamline print and digital artwork creation for retailers. A new online ticketing platform is set for launch this year, providing an automated ticketing solution that is integrated with product and offer data stored in the Knowledgewell DAM. Data and analytics will also play a more prominent role in our software, providing marketers even greater insight into the success of marketing and content strategies. This is just another example of how Knowledgewell is making marketing operations easier for brands.

Our strategies for 2019 will focus on growing our creative content services. This includes leveraging scale and capabilities to attract more blue-chip (Tier 1) brands; expanding services with existing customers; further development and growth of Knowledgewell, as well as operational excellence to reduce internal process waste, improve productivity and quality to market. Our top-line strategies will allow for:

- **Further expansion of creative content services to existing customers.**
- **Leveraging existing photographic studio infrastructure to drive video production growth for digital and social media content.**
- **Expanded interactive content capabilities (Augmented Reality, Virtual Reality, CGI and 3D Motion).**
- **Continued roll-out of Hub re-engineering initiative.**
- **Operational excellence through automation of back-end processes and introduction of a cloud global file management system.**
- **Establishment of new Customer Success teams for Knowledgewell to expand user base within existing customers.**
- **Targeted global and regional RFP's for Creative Production Decoupling.**

Although content creation for digital and social channels has grown this year, there is still opportunity to expand our video production in all key markets to meet growing demand. We are confident that video creation will match the size of our photographic services in the future, as we go-to-market with our expertise in producing high-quality content quickly and cost effectively.

Digital content now represents over half of Wellcom's revenue. This has opened the doors to taking advantage of industry trends in interactive and targeted content, supporting brands to engage and interact with customers. We can now provide an important role in the new consumer purchasing process. Due to changes in consumer buying behaviour and with mobile devices now ubiquitous, the demand for content will only continue to grow. Consumers will continue to engage with traditional advertising, however social media, influencers, storytelling, and other new content marketing practices will have a growing influence in how products sell and how consumers perceive brands.

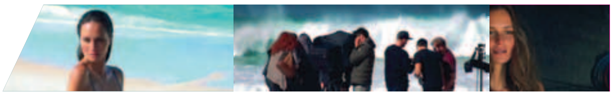
With consumers making much of their decisions through online research via mobile devices, and ultimately making the final purchase online, Wellcom is well equipped to support brands develop relevant and engaging content across all media channels and consumer buying touchpoints.

This coming year we will continue to witness changes to the industry, and Wellcom has positioned itself to maximise these opportunities. By leveraging our scale, resources and infrastructure, and combining Content creation. with high-volume production for both regional and global brands, we are confident that the Wellcom Group will gain market share through our unique model, world-leading technology and our talented team.

Andrew Sidwell
CHIEF EXECUTIVE OFFICER
AUSTRALIA / NEW ZEALAND

Our work is reaching new levels of creativity and effectiveness in terms of results for our clients. There is no medium in the Wellcom marketing mix that can't be produced internally. The Wellcom business model is a powerful and scalable end-to-end solution.

2017-2018 REVIEWED



The results at 30 June 2018.

REVENUE
+9.0%

EBITDA
+9.4%

EBIT
+10.7%

NPAT
+10.3%

EPS
+10.3%

FULLY FRANKED DIVIDENDS
46.0c

The year has been very successful and has produced many positive outcomes that will continue to drive the company forward in the future.

Chairman Wayne Sidwell spoke with confidence at the 2017 Annual General Meeting about a strong 2018 performance. He explained that the new business wins for 2017 had not taken full effect and therefore revenue gains were not truly reflective of the 2017 result. Andrew Sidwell highlighted a series of strategies that would take full effect during this financial year that would assist in achieving a solid 2018 result. All of the strategies were completed successfully, and the results are clearly demonstrated in this years results.

A major new business transition has been recognised in this year's result and while very pleasing, it establishes a direction that has been discussed for the last five reporting years, namely high-level digital work. Over 50% of the new business activity included digital and social content creation, away from traditional media, and this trend will only continue to grow.

Another significant trend is the uptake of Knowledgewell software licences, which amounted to a third of the new business won. This important strategic initiative of focusing on digital content and SaaS, provide accessibility for organic growth for other production services such as videography, photography, art direction, copywriting, and animation.

The financial results for the year ending 30 June 2018 are very strong:

- **Statutory revenues from continuing operations increased 7% to $155.2 million.**
- **Net revenues (excluding pass through costs) increased 9% to $107.6 million.**
- **Earnings before interest, tax, depreciation and amortisation increased 9% to $20.5 million.**
- **Earnings before interest and tax increased 11% to $17.7 million.**
- **Net profit after tax increased 10% to $11.7 million.**
- **Cash flows from operating activities increased 49% to $15.1 million.**
- **Earnings per share rose 10% to 29.9 cents.**

We hold minimal debt in the business, with debt exceeding cash and cash equivalents by only $2.2 million.

The business has also returned a significant amount of funds to shareholders during the year, totalling 46 cents per share, and representing a payout ratio of approximately 154% of full-year profits. The purpose for the increased dividends in the year was to return a portion of excess franking credits equitably to shareholders and, through debt financing, to ensure Wellcom achieved a more efficient capital structure.

This has been a very pleasing result.

Wellcom Australia and New Zealand in review

Wellcom Australia and New Zealand enjoyed a very solid year with organic growth and new business wins across all three core services of the Group – content, production and technology. Social media, digital development, design, video, photography and retouching, all experienced growth on the back of more 'always on' client driven content strategies – replacing subdued activity in traditional media.

As has been the case for many years, On-Site Studio (Hubs) remain the flagship offering, supported by the Group's digital capability alongside Knowledgewell. This offers a distinct competitive advantage for Wellcom.

Wellcom photographic facilities in Sydney, Melbourne and Auckland, grew revenues on the back of more multi-channel content creation. Our studios also house automated product photography to support the growth in eCommerce content creation.

The demand for video creation and production has grown significantly in the last twelve months and the combination of video and digital design offers clients an end-to-end solution for their content marketing needs. To provide the very best levels of strategic conceptualisation, the provision of in-house art direction, copywriting, and scripting is now all provided by Wellcom offices.

Wellcom Auckland increased its profile significantly this year on the back of the significant win of Countdown supermarkets. The retailer sought a decoupling model to bring greater control over their marketing activities, improve quality and increase speed to market. Wellcom implemented a full end-to-end solution including content creation, production and Knowledgewell.

Due to their high production and volume demands, Wellcom relocated offices to create a state-of-the-art Content Production Centre in the suburb of Ellerslie, which includes photographic studios, post-production, digital development, art direction, design and copywriting. This new establishment

will now bring new opportunities to expand the Wellcom model into the New Zealand market.

Wellcom U.K in review

The move to our new premises in London was seamlessly orchestrated to ensure there was no impact on production and service. The new space in Clerkenwell was built with our customers and staff in mind.

Duncan Stokes (Managing Director U.K) envisaged a space where our clients could collaborate, focus and feel at home. And, an environment for our staff where they could produce their best work in a comfortable, safe and inspiring work space. He succeeded in achieving both objectives.

Knowledgewell has been fully implemented into Tesco and the user uptake has surpassed our forecasts. Our partnership with Tesco continues to grow and evolve, and we anticipate an expansion of our services with the large retailer.

New business wins included renowned advertising agency Mother, for a bespoke on-site studio, and HomeAway/Expedia, where we offer a dedicated digital production team executing campaign and 'always on' content across the globe.

Dippin' Sauce launched in London and has been integrated into the new London office.

The new business gains in 2018 and the conclusion of a long-term strategic restructure, provides us with a very positive outlook for our U.K operations in 2019.

Wellcom U.S in review

Our U.S division contributed significantly in 2018. David Bridges (C.E.O of thelab) continues to provide a unique flavour to Content creation, and has succeeded in exploiting opportunities in a market becoming more and more disillusioned with the traditional agency model. David and his team have continued to lead the way for the Wellcom Group into digital and creative content.

This year, we further integrated thelab with Wellcom's services such as technology and high-volume content production with new business wins, including Southeastern Grocers. When thelab was acquired, the majority of its client base was in New York, now a vast majority of its customers are spread across North America including California, the Mid-West, and the Southern States.

With the dual brand positioning strategy of thelab and Wellcom, significant new growth was introduced through the Wellcom model of high end Content creation and production capabilities.

Wellcom On-Site Studios in review

The driving force behind the Wellcom offer is the On-Site Studio model and for the 2017-18 there were new rollouts in the U.K and U.S. Added to this the very latest content production centre has been established at Countdown in Auckland. We have now placed On-Site Studio (Hubs) into all of our core business centres globally and there are over forty sites, representing close to 70% of revenue for the Group.

Wellcom Technologies – Knowledgewell in review

Strong new business gains for Knowledgewell have been very pleasing and we have introduced new customers including Countdown, News Corp (Australia), SPC Ardmona, Haymes Paint, Star Entertainment Group and Southeastern Grocers. The technology is gaining momentum in the international market and from this year's success, manufacturers, entertainment and communication sectors have adopted the Knowledgewell software solution.

Wellcom Asia 'Centre of Excellence' in review

Due to increasing demands for off-shore services, the 'Centre of Excellence' has grown its resource base and expanded into digital production. The convenience of Kuala Lumpur's time zone, gives all Wellcom offices an extended production window and superior turnaround times for content creation. The service in Malaysia is now geared up to produce multi-channel high-volume content across all international markets.

Wellcom Review Summary

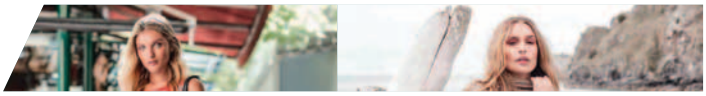
It has been a very good year with strong sales in all parts of the business. In terms of market type, the Group has strong ties across most sectors including retail, finance, communications, manufacturing and distribution.

Our products and services mix have provided the entire gamut of marketing requirements with strong in-roads into creative and digital. The trend towards decoupling production and creative content for corporations, retailers and ad agencies continued with accelerated speed.

The On-Site Studio (Hubs) have dominated and have become significant organic growth generators. Expansion has been outstanding with Dippin' Sauces' entry into London and the Creative Content Production Studios at Orlando with Southeastern Grocers, and in Auckland with Countdown NZ.

Solid growth in digital and Knowledgewell technology development has been impressive.

It has been a very good year with strong sales in all parts of the business. In terms of market type the Group has strong ties across most sectors including retail, finance, communications, manufacturing and distribution.



The Wellcom strategy is to continually evolve. If you don't evolve through change, businesses get disrupted. This is why Wellcom's tactical strategies have given the business new energy and very significant directional change throughout the entire company's history. Wellcom's strategic thinking keeps the Group ahead of the pack by proactively embracing change.

We continue to focus on growing our services through three core service categories:

1. Content creation

2. Production

3. Technology

1. Content creation

As the company grew further upstream in the advertising supply chain, we realised growth in new revenue streams, namely digital development, videography, motion graphics, high-end retouching, creative design, and copywriting. Much of our organic growth and new business has included a Content creation component, along with production and technology.

Our On-Site Studio Hubs are being re-engineered to embrace digital services, and this will provide strong growth for long–term customers who continue to use the more traditional services. Photography now encompass video and TVC post-production and this has made way for on-location videography for social media. Our artwork services now include art direction and copywriting, with extensions into digital design, development and programmatics. Retouching has evolved to include CGI and 3D modelling taking the executions into the realms of animated moving images. We are also now entering new services such as Augmented Reality and other interactive media. This is all heading into the medium of social marketing and to complement the digital creative, we use our in-house digital consultant strategists to work with clients to take our ideas and turn them into effective marketing.

Dippin' Sauce has now launched into the U.K. In the U.S, both the Dippin' Sauce and thelab businesses are leading the way in our creative content strategy, and provide the very best in-market quality content.

2. Production

The production of high-volume and complex content collateral is in our DNA and we are now propelling our mature model into new international markets. There continues to be a growing trend to decouple production away from creative agencies and into specialist production companies such as Wellcom Wordwide. This decoupling methodology has now expanded into creative, online and social media.

Brands are contending with a growing list of media channels and require more targeted content for their customer base. Wellcom's proposition to brand management is to focus and streamline complicated content workflows by offering improved speed to market, better R.O.I, and a higher quality service level.

This has proven to be a very attractive offer for the global marketing community.

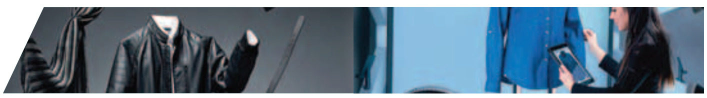
3. Technology

How marketers manage their campaigns, control their assets and data, and deliver content to market are the cornerstones of modern marketing operations. Knowledgewell has made this a reality for brands, offering a true end-to-end software solution.

Knowledgewell is a cloud-based SaaS, which encompasses core modules including Marketing Resource Management (MRM), Digital Asset Management (DAM), Product Information Management (PIM), Online Approval, Artwork Automation, and eProcure. Knowledgewell creates a secure, but collaborative environment for users to create, interact, manage, comment, and repurpose data and digital assets.

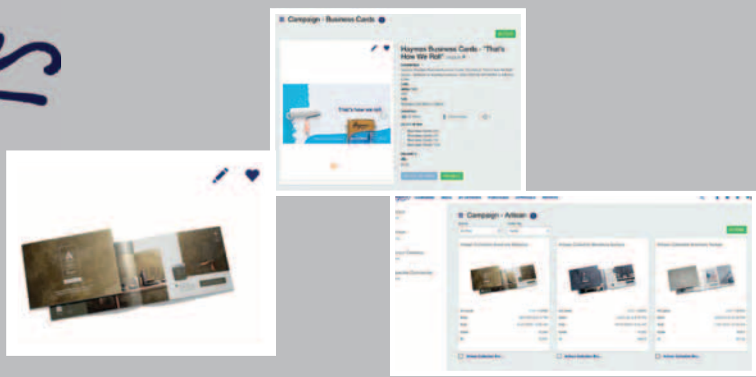
OUR 2019 STRATEGIES PLAY TO OUR STRENGTHS.

2018 witnessed Knowledgewell being deployed across all of our international markets, and as the opportunities for growth are substantial, it will remain a key strategy for 2019. Furthermore our technology solutions remain a key contributor to customer retention and offer us the ability to cross-sell complementary services such as photography, digital, design and print management.



NEW BUSINESS

Mother Agency
Design
Haymes Paint
Technology
Welspun
Photography
Videography
Red Lobster
Digital

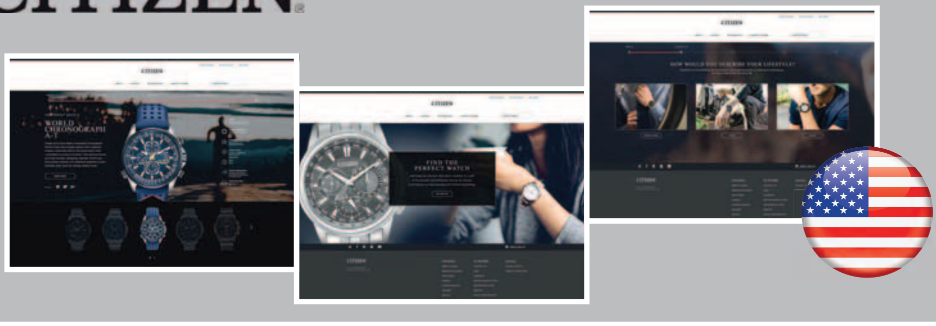


New business was well represented with a full range of services with digital and technology being trend leaders.

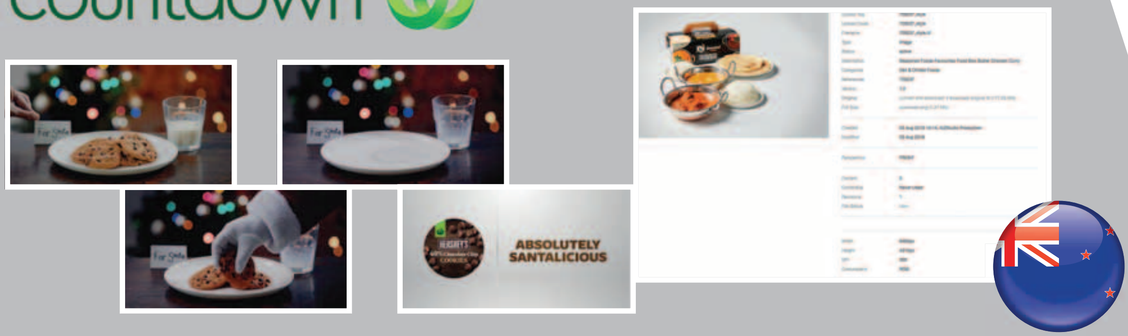
NEW BUSINESS

Citizen
Digital Services
Countdown
Studio & Technology
Camilla and Marc
Photography and Retouching
SPC Ardmona
Design & Technology
The Star Entertainment Group
Artwork & Technology

CITIZEN



countdown

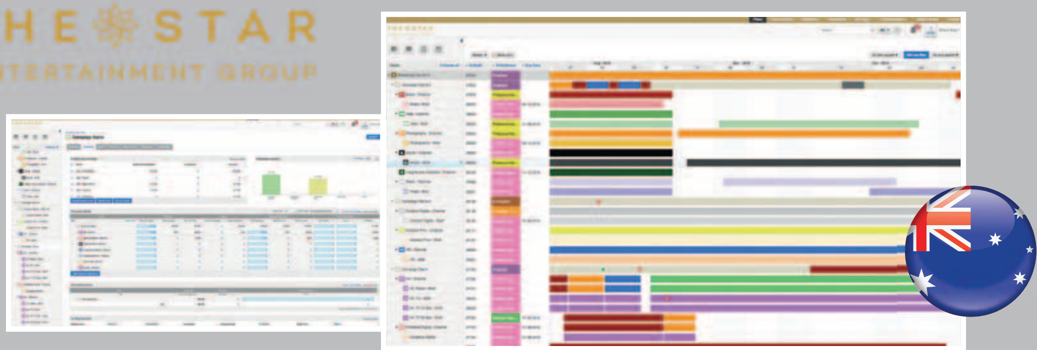


CAMILLA AND MARC

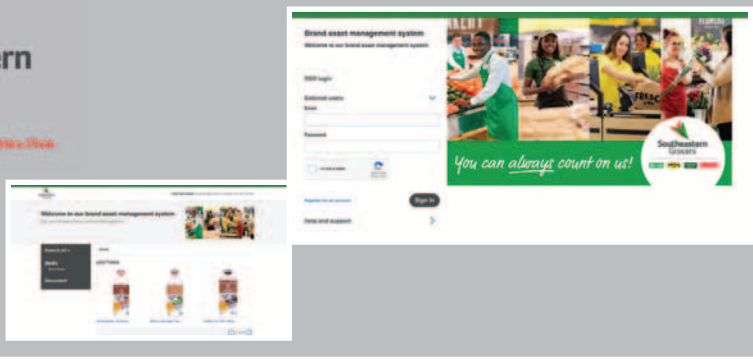
spc
- 100 YEARS -

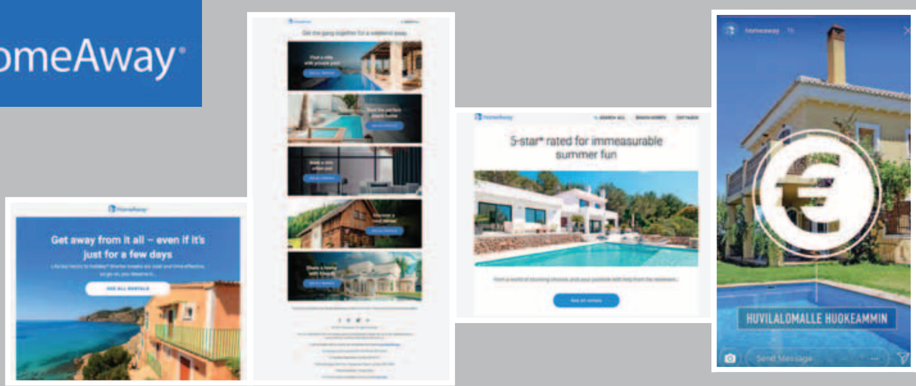
The types of clients are extremely varied in terms of communications, retail, finance, manufacturing and entertainment.

THE STAR
ENTERTAINMENT GROUP

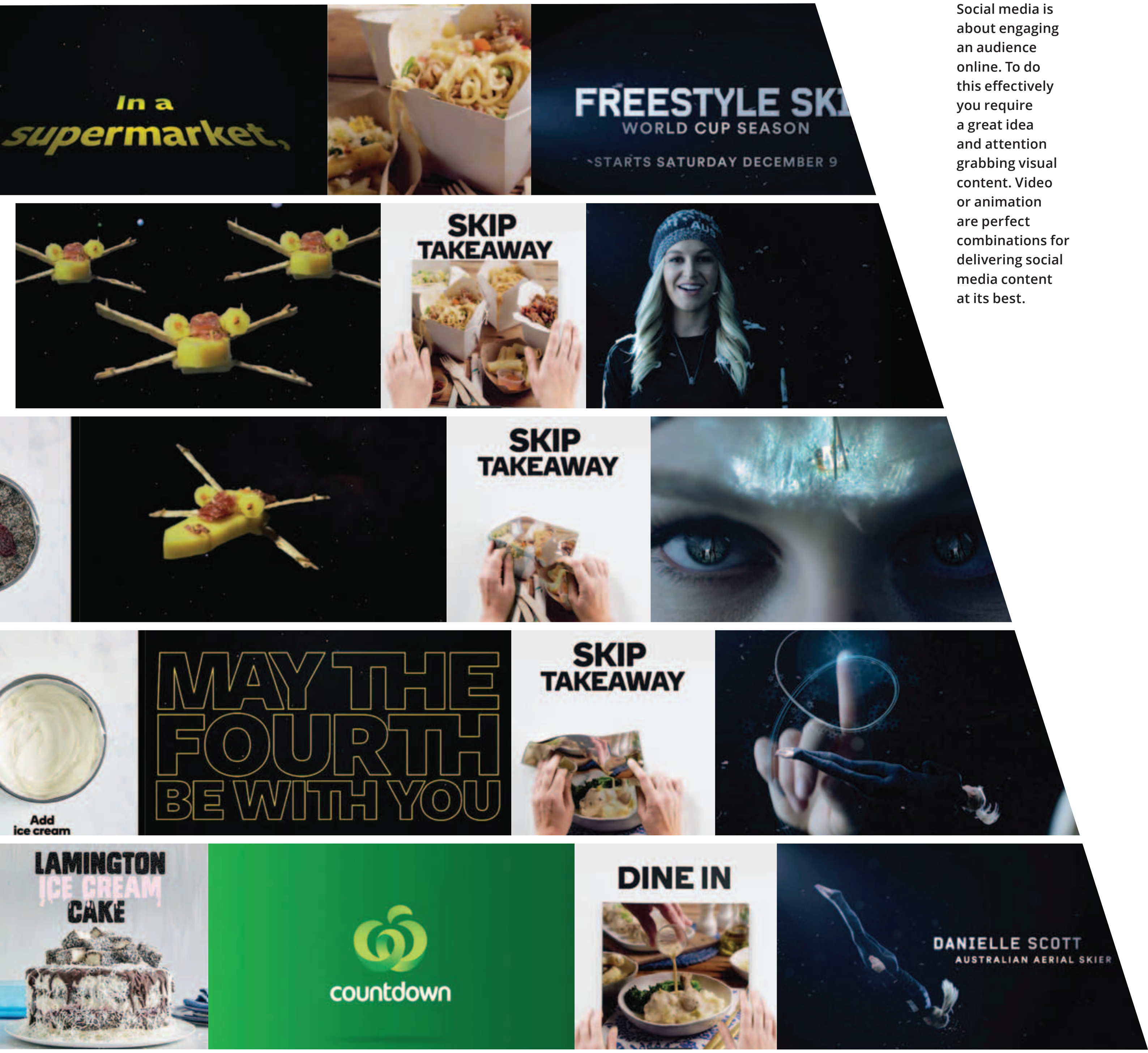


Southeastern Grocers
Technology
True Alliance
Photography
News Corp (Australia)
Design & Technology
HomeAway
Digital
Mercer
Design





WE CREATE CONTENT

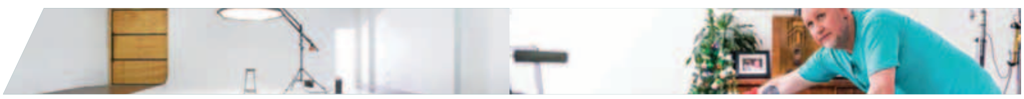


Social media is about engaging an audience online. To do this effectively you require a great idea and attention grabbing visual content. Video or animation are perfect combinations for delivering social media content at its best.

WELLCOM PHOTOGRAPHY

WE CREATE CONTENT

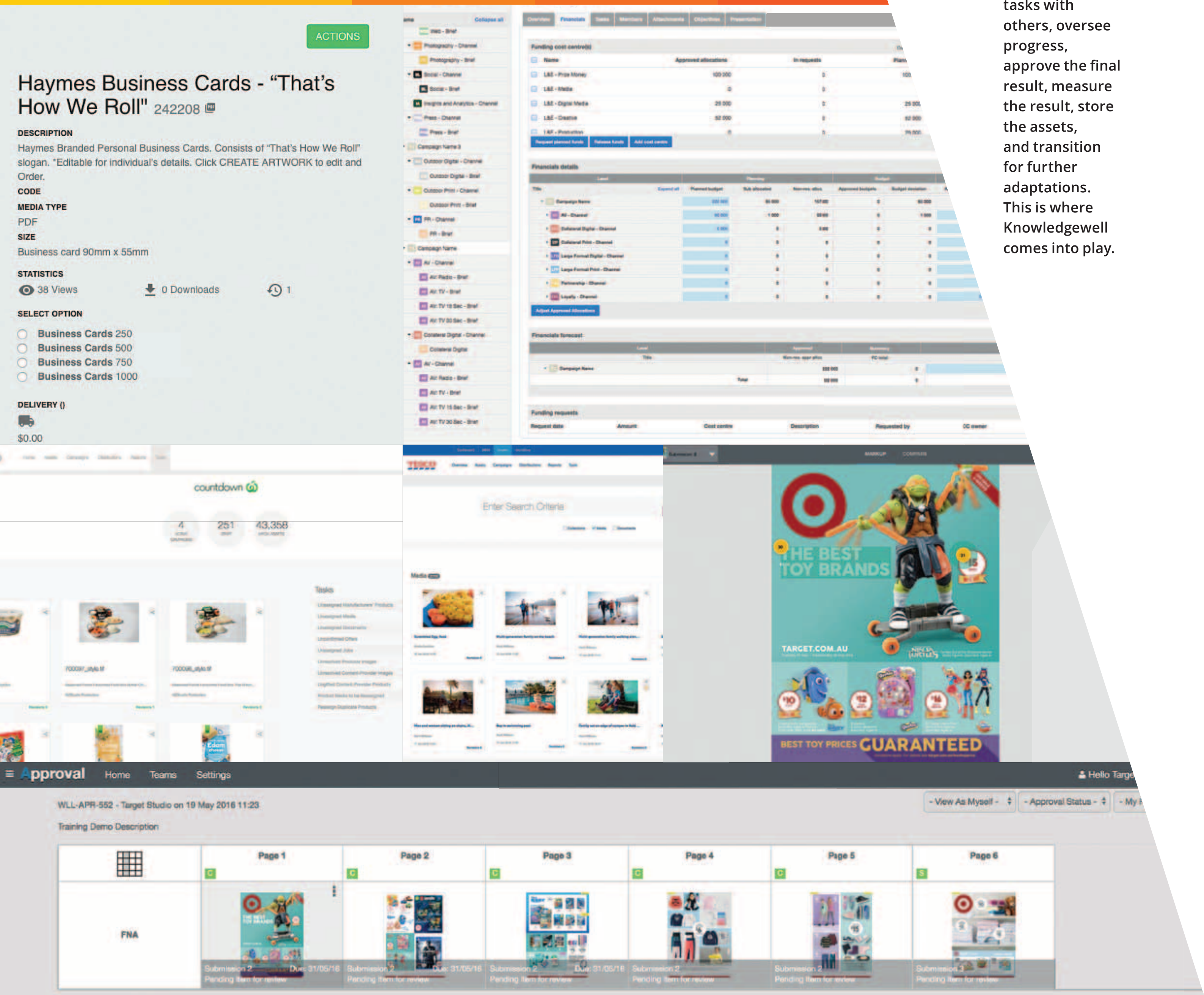
Wellcom has photography and video studios globally positioned to shoot all client content. This includes retail, corporate, finance and manufacturers. Wellcom is equally adept in providing images for print and online, as well as billboard sized imagery.



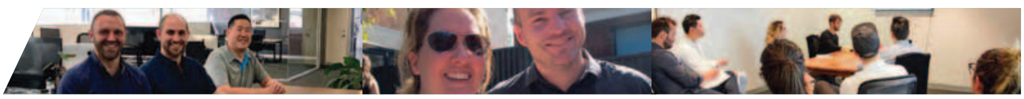
WELLCOM TECHNOLOGY

WE MANAGE CONTENT

MRM	CM	DAM	WM	PM
Marketing Resource Management	Campaign Management	Digital Asset Management	Workflow Management	Print Management



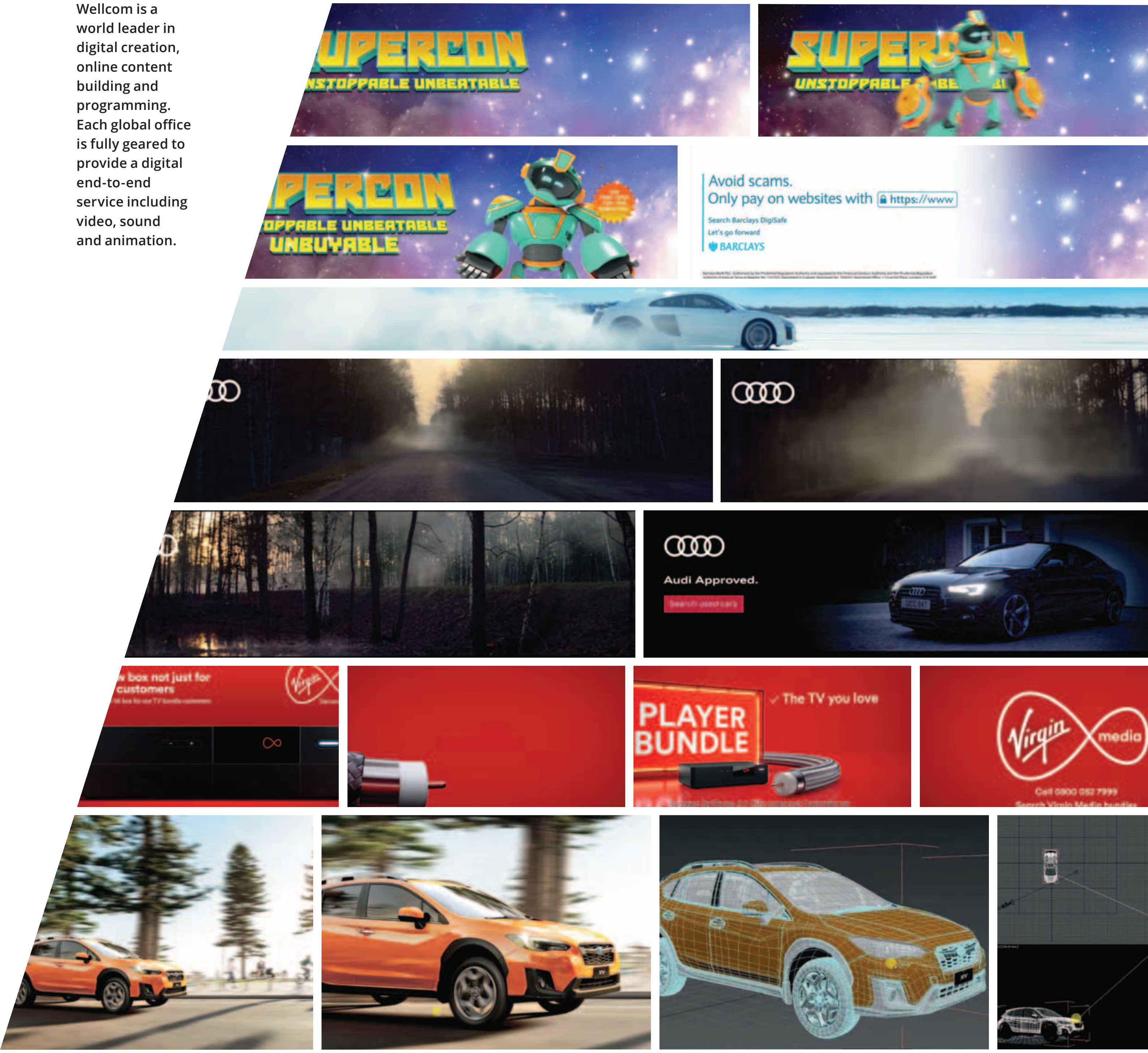
Apart from creating content, clients need to plan their content, share tasks with others, oversee progress, approve the final result, measure the result, store the assets, and transition for further adaptations. This is where Knowledgewell comes into play.



WELLCOM DIGITAL

Wellcom is a world leader in digital creation, online content building and programming. Each global office is fully geared to provide a digital end-to-end service including video, sound and animation.

WE CREATE CONTENT



Digital and social media will continue to dominate growth this coming year. Marketers, brands and agencies are reviewing the way they produce "always on" content and Wellcom's model is well positioned to exploit this trend.

The Group remains responsive to changing marketing trends, and we are fully scalable to meet future client needs and expectations should they choose to go down a digital or social media route. This includes transitioning products and services (including digital) at the On-Site Studio (Hub) level. We will upskill our Hubs around the world with more creative and digital expertise.

We see Knowledgewell's growth to continue as it matures in the Australian market and enters the United States and the United Kingdom. The exciting acquisition of BrandSystems' MRM technology, a key marketing operations software module, provides us with control of our end-to-end solution and greater development scale to roll-out Knowledgewell globally.

Our 'Centre of Excellence' in Malaysia has taken on a more prominent role in the Group, with the centre now supporting all global regions for print and digital content. The office in Kuala Lumpur has become key in providing our customers with pricing value, quality, and scale. It also plays an important role in our global offering and margin protection.

Wellcom Australia / New Zealand into 2019

Andrew Sidwell anticipates a continuation of strong organic growth in and around its On-Site Studio (Hubs). There is still considerable opportunity to expand creative services, photography, digital, social, technology and printing. We see great potential for video growth on the back of our existing photographic services and pure video production in its own right. Due to the breadth of Wellcom's production services, there remains countless opportunities to cross sell vertically and horizontally aligned solutions.

Supporting existing and new clients using the Knowledgewell system will be a key focus. Our support team is being converted into Customer Success teams to ensure our customers use the software system to the best of its capabilities, and to grow user and module adoption to provide greater R.O.I.

While the issues around local retail consumer sentiment remain flat, retail marketing spend with Wellcom has been strong. The Group remains confident that we offer the right solution to brands seeking new ways of working to create, manage and execute their content to market. This will provide a solid framework to win new business, maintain our high customer retention rate and gain organic growth.

Wellcom U.K into 2019

Duncan Stokes successfully relocated the London office, launched Knowedgewell into the U.K market with Tesco Supermarkets, and introduced Dippin' Sauce into the U.K.

The new purpose-built office has provided the ideal environment for new business opportunities to gain market share in the U.K for 2019. The London operation has matured, and creative and digital are leading its growth and this has been re-enforced with the addition of Dippin' Sauce to raise the calibre of creative expertise. Digital is fast becoming the biggest growth area in the U.K business, as is testament of its recent new client wins.

Wellcom U.S into 2019

Wellcom anticipates continued strong performance from the United States region. David Bridges (thelab) and Jared Domow (Dippin' Sauce) delivered another solid year with both organic growth and new business.

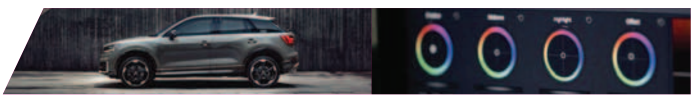
David is surrounded by amazing creative talent to repeat the success of 2018. thelab is well suited to brands looking for agency-like services, but with the advantage of working with a company that is agile and nimble. Digital and social media are thelab's biggest growth areas and this will continue into 2019 under the leadership of Max Oshman in his new role as Chief Digital Officer. Dippin' Sauce has a world leading creative reputation for highest value artistic and innovative work with Jared driving the company the company.

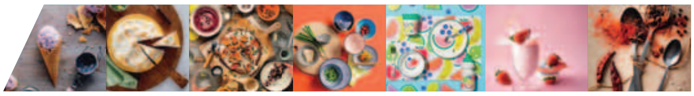
Furthermore, the company will seek to use the Wellcom brand to secure more high-volume production work, along with the Knowledgewell software deployments (leveraging off our first U.S software client Southeastern Grocers).

Wellcom Asia – 'Centre Of Excellence' into 2019

The 'Centre Of Excellence' in Kuala Lumpur has a larger role to play for 2019, having secured the News Corp (Australia) business, as well as supporting all of the Wellcom global offices. Part of the attraction is the convenience of being in a central time zone that offers the Group extended operating hours for optimised production throughput.

With the business now providing digital production on top of its traditional services, the 'Centre of Excellence' offers the ideal opportunity to provide highest quality work and return good margin back to the originating Wellcom office. This is becoming a premium service designed to safeguard the timely and accurate delivery of all client work for 2019.





Wellcom Knowledgewell into 2019

Knowledgewell offers untapped potential for the Group. The proprietary software enjoyed global sales last year on the back of securing Tesco and Southeastern Grocers. The SaaS platform has matured and is becoming highly attractive to brands looking for innovative ways to streamline their marketing operations. Not only will Knowledgewell continue to be a key customer retention tool, it is now a product in its own right, with new revenue growth forecast to be strong across all markets in 2019.

The Wellcom Outlook

New business gains for 2018 have seen some single service alignments – especially technology solutions. In circumstances such as these, single solution clients offer tremendous growth for upsell and a more vertically integrated opportunity leading to organic growth through creative and production services uptake. The extensive Wellcom list of products and services on offer, caters for every client marketing requirement.

Wellcom Worldwide is well placed to deliver another solid result for 2018-2019.

WELLCOM PRODUCTS AND SERVICES

Content Creation Services

Production	Digital	Social	Video	Print
Photography	Digital Design & Development	Community Management	Commercials	Catalogues
Cinematography	UX Design	Campaign Development	Broadcast	Point of Sale
Videography	CGI & Motion Graphics	Campaign Development	Social Videos	Brochures
Post-Production	3D Modelling	Social Media Ad Units	Documentaries	Magazines
Retouching (Inc. High-End)	Content Management		Corporate Videos	Newspapers
	App Development			OOH
	Animation			
	Digital Copywriting			
	Art Direction			
	DOOH			

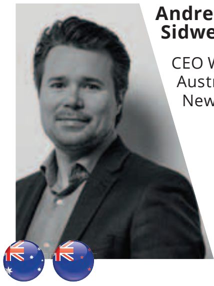
Marketing Services
Print Management
On-site Studios
Decoupling
Offshoring
Retail Production

Knowledgewell Technology
Marketing Resource Management
Campaign Management
Digital Asset Management
Workflow Management
Print Management
Online Approval

GLOBAL MANAGEMENT

Andrew Lumsden
CFO
Global COO
Company Secretary

Michael Bettridge
Managing Director
Wellcom Asia &
Global Business Development Office



Andrew Sidwell
CEO Wellcom
Australia &
New Zealand

David Bridges
thelab
President
& CEO
Wellcom U.S

Duncan Stokes
Managing Director
Wellcom U.K

Jared Domow
Dippin' Sauce
President
Wellcom U.S

Max Oshman
Chief Digital Officer
Wellcom U.S

Melinda Phillips
General Manager
VIC

Rachel King
General Manager
NSW

Gianni Carraro
General Manager
Digital House

Grant Glover
General Manager
Malaysia

Mark Sweetnam
Chief Technology Officer

Shaun Gray
Global
IT Solutions
Manager

Mark Strawbridge
Operations
Manager NZ

2018 WELLCOM GROUP LIMITED ANNUAL REPORT

FINANCIALS FOR THE YEAR ENDED 30 JUNE 2018

ACN 114 312 542

CORPORATE GOVERNANCE STATEMENT

Wellcom Group Limited ('the Company') and the Board of directors are committed to achieving the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the Group in this statement.

A description of the Group's main corporate governance practices is set out on the Company's website www.wellcomworldwide.com. All these practices, unless otherwise stated, were in place for the entire year and comply with the ASX Corporate Governance Principles and Recommendations.

DIRECTORS' REPORT

The directors of Wellcom Group Limited ('the Company') submit herewith the annual financial report of the consolidated entity ('the Group'), consisting of the Company and the entities it controlled at the end of or during the year ended 30 June 2018.

DIRECTORS

The names and details of the directors of the Company during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

W.W. Sidwell (Chairman)

Wayne William Sidwell was the founder and managing director of the original Wellcom business, established in 2000 and acquired by the Company from Well.com Pty Ltd in 2005. Wayne currently serves on the Company's Remuneration Committee and was formerly a member of the Company's Audit Committee. Wayne has more than 45 years experience in the pre-media industry and serves on the Board of a number of private companies.

C.A. Anzarut (Non-executive Director)

Charles Arthur Anzarut combines his work as a practicing solicitor with his role as a non-executive director of the Company. Charles joined Wellcom Group Limited upon its inception in May 2005 and presently serves on both the Audit and Remuneration Committees. Charles holds the qualifications of LL.B and MBA and has acted as a commercial lawyer for over 30 years.

K.B. Smith (Non-executive Director)

Kerry Brian Smith joined Wellcom Group Limited in March 2006 and acts as chairman of the Company's Audit committee. He is also a member of the Company's Remuneration Committee. Kerry is a graduate of the University of Sydney with a Bachelor of Economics and has been a member of the Institute of Chartered Accountants in Australia for over 35 years. He was Managing Director of Schroders Australia from 1996 to 2000, served on the Audit Committee from 1992 to 2000, and chaired the Risk Committee from 1996 to 2000. He was also formerly a director of SMS Management & Technology Limited and a member of its Audit Committee.

J.A. Kendall (Non-executive Director)

Janette Anne Kendall was appointed as Director on the 27 January 2016. She was also appointed to the Company's Audit Committee on the 17 February 2016. Janette holds a Bachelor of Business - Marketing, is a Fellow of the Australian Institute of Company Directors, and has over 30 years Marketing and Operational experience. Janette has held various senior management roles in her career, including Senior Vice President of Marketing Galaxy Entertainment Group in Macau, China; Executive General Manager of Marketing at Crown Melbourne; and Managing Director of Clemenger Digital and Clemenger Proximity. She is currently a director of Nine Entertainment Co. Holdings Limited, Vicinity Centres RE Ltd, Placer Property Limited, Costa Group Holdings Limited and the Melbourne Theatre Company.

COMPANY SECRETARY

A.S. Lumsden (Company Secretary)

Andrew Stuart Lumsden was appointed as Company Secretary and Chief Financial Officer of the Group on 25 January 2013. Andrew was also appointed to the position of Global Chief Operating Officer on 1 July 2014. He holds a Masters in Accountancy and Finance, and is a Chartered Accountant and an Associate of the Governance Institute of Australia.

Interests in the shares of the company

As at the date of this report, the interests of the directors in the shares of the Company were:

	Number of Shares
W.W. Sidwell	18,312,878*
C.A. Anzarut	20,000*
K.B. Smith	20,000*
J.A. Kendall	5,000*

* All interests in Company securities held by the above directors were ordinary shares.

Dividends paid to shareholders during the financial year were as follows:

	2018 $'000	2017 $'000
Final dividend for the year ended 30 June 2017 of 13.5 cents per fully paid ordinary share paid on 15 September 2017 (2016: 13.5 cents)	**5,291**	5,291
Interim dividend for the half year ended 31 December 2017 of 35 cents per fully paid ordinary share paid on 16 March 2018 (inclusive of a 25 cent special dividend) (2017: 9.5 cents)	**13,716**	3,723
	19,007	9,014

In addition to the above dividends, since the end of the financial year, the directors have recommended to pay a final dividend for the year ended 30 June 2018 of 11 cents per fully paid ordinary share. The dividend was declared on 21 August 2018, with a record date of 31 August 2018, to be paid on 14 September 2018 out of retained profits at 30 June 2018. The dividend will be fully franked.

PRINCIPAL ACTIVITIES

During the year the principal activities of the Group were:

The provision of advertising and marketing content production and content management services in Australia, the United Kingdom, New Zealand, Asia and the United States of America encompassing the following services:

- Advertising and Marketing Content Production Services;
- Design, Artwork and Retouching;
- Content Management Services;
- Digital Photography;
- Television Production;
- Digital Print; and
- Computer to Plate (CTP) Production.

OPERATING AND FINANCIAL REVIEW

Operating results for the year

The Group recorded statutory revenue of $155,166k (2017: $145,174k), representing an increase of 7% over the previous financial year, with net revenue (excluding print management pass through costs) of $107,618k (2017: $98,694k) representing an increase of 9% over the same period. Revenues increased in each of Wellcom's operating segments (Australasia, United States and United Kingdom), with substantial contributions from new business wins including News Corp (Australia), Countdown (NZ), Red Lobster (US), Southeastern Grocers (US), Tesco (UK) and HomeAway - Expedia (UK).

Operating margins within the Group increased to 19.7% on a net revenue basis (2017: 19.2%).

EBITDA from continuing operations increased by 9% to $20,486k (2017: $18,729k) with EBIT from continuing operations increasing by 11% to $17,676k (2017: $15,965k), and NPAT from continuing operations increasing 10% to $11,724k (2017: $10,627k).

The effective tax rate for the Group was 33% (2017: 33%).

Shareholders' returns

The shareholder returns presented below are based on results from continuing operations.

	2018	2017
Basic earnings per share (cents)	**29.92**	27.12
Return on net assets (%)	**19.40**	16.11
Dividend payout ratio - including special dividend of 25 cents (%)	**153.77**	84.82

Liquidity and financial condition

The Group generated $15,093k in cash from operating activities for the year ended 30 June 2018 (2017: $10,107k) following strong improvement in cash conversion. As at 30 June 2018 the Group has net debt of $2,198k.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the year and up to the date of this report, with the exception of those matters previously outlined under the heading of Operating and Financial Review above.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The directors' of Wellcom Group Limited declared a final dividend on ordinary shares in respect of the 2018 financial year on 21 August 2018. The total amount of the dividend is $4,311k which represents a fully franked dividend of 11 cents per share. The dividend has not been provided for in the 30 June 2018 financial statements.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group's strong client base is expected to provide the basis for growth in the next financial year.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth or State.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

SHARE OPTIONS

There were no options for securities in the Company exercised during the financial year and there were no unissued shares in the Company, under options, at the date of this report.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Wellcom Group Limited paid a premium of $73,500 (2017: $43,050) to insure the directors, officers and senior management of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal cost and those relating to other liabilities.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year ended 30 June 2018, together with the number of meetings attended by each director during that period were as follows:

	Directors' Meetings		Committee Meetings			
			Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
W.W. Sidwell	10	10	N/A	N/A	1	1
C.A. Anzarut	10	10	2	2	1	1
K.B. Smith	10	10	2	2	1	1
J.A. Kendall	10	10	2	2	N/A	N/A

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and other key management personnel of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

a) Key management personnel covered in this report

Non - executive directors

W.W. Sidwell

C.A. Anzarut

K.B. Smith

J.A. Kendall

Other key management personnel

Name	Position
A. Sidwell	Chief Executive Officer of Australia and New Zealand *(Appointed 1 March 2017)*
S. Rees	Chief Executive Officer of Australia and New Zealand *(Retired 1 March 2017)*
A. Lumsden	Company Secretary, Chief Financial Officer and Global Chief Operating Officer
M. Bettridge	Managing Director, Asia and Global Business Development Officer
D. Stokes	Managing Director, UK *(Appointed 1 March 2017)*
D. Bridges	Managing Director, US

b) Remuneration policy and link to performance

Remuneration philosophy

The Board is responsible for determining and reviewing compensation arrangements for all executive and non-executive directors and the senior management team. The Board has appointed a Remuneration Committee to oversee the Company's remuneration framework and ensure the following criteria are satisfied:

- competitiveness to attract and ensure retention of high calibre executives and directors;
- reasonableness, fairness and consideration of market guidelines;
- appropriateness of performance criteria linked to variable executive remuneration;
- established relationship between executive rewards, alignment to the Group's business strategy and performance and increased shareholders' value; and
- transparency and shareholders' approval of compensation arrangements.

The Corporate Governance Statement provides further information on the role of the Remuneration Committee.

The performance of the Group depends upon the quality of its directors, executives and other key management personnel. Motivation and retention of skilled directors and other key management personnel is essential for the Group to achieve success and the resulting shareholder returns.

The Group's objective in its remuneration framework is to ensure director, executive and management rewards are reflective of performance, are competitive and appropriate for delivered results and are commensurate to the achievement of the Group's strategic objectives and return to shareholders.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

<u>Non-executive director remuneration</u>

Objective

The Board seeks to set non-executive remuneration at a level that fairly compensates the individual director for their time and contribution to the affairs of the Group whilst incurring a cost that is acceptable to shareholders. The remuneration paid to directors is reviewed annually.

Structure

The ASX Listing Rules require the aggregate remuneration of non-executive directors be determined from time to time by a general meeting. During the financial year, each non-executive director received a set fee for being a director of the Company. The non-executive directors do not receive retirement benefits other than superannuation, nor do they participate in any incentive programs.

<u>Key executive remuneration</u>

Objective

The Board seeks to set remuneration for key management personnel at a level commensurate with their position within the Group and the inherent responsibilities therein. Remuneration is reviewed annually by the Remuneration Committee which reports to the Board. The Remuneration Committee conducts a review of Group-wide data, business unit and individual performance, relevant comparative market and internal remuneration and the level of shareholder returns generated.

Structure

The Group has entered into employment contracts with all key management personnel of Wellcom Group Limited and other entities within the Group.

Short-term and long-term incentives are designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. Payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI includes profit contribution, customer satisfaction and leadership contribution and management. Performance in relation to the KPI is assessed annually, with bonuses being awarded depending on the achievement of the KPI. Following the assessment, the KPI are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholders' wealth, before the KPI are set for the following year. In determining whether or not a financial KPI has been achieved, the Company bases the assessment on audited figures.

Remuneration framework

Element	Purpose	Performance metrics	Potential value
Fixed remuneration (FR)	Provide competitive market salary including post-employment and non-monetary benefits.	Nil.	Positioned at market rate.
Short term incentive (STI)	Reward for in-year performance.	(1) the overall financial performance of the Group; (2) the financial performance of individual responsibility centres; and (3) performance based on quantitative and qualitative measures not connected to individual profit centres	Management personnel (excluding directors) will be entitled to up to 30% of their FR.
Long term incentive (LTI)	Alignment to long-term shareholder value.	Earnings per share performance against a compound annual growth rate across three years.	Executive KMP (at the boards discretion) will be entitled up to 50% of their FR.

c) Elements of remuneration

(i) Fixed annual remuneration (FR)

Key management personnel are given the opportunity to receive their fixed remuneration in a variety of forms including cash, post-employment benefits and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group. All remuneration paid to key management personnel is valued at the cost to the Group and expensed.

The following FRs were approved by the Board

Key management personnel	1 July 2018	1 July 2017
A. Lumsden	**400,000**	370,000
M. Bettridge	**390,000**	360,000
A. Sidwell	**350,000**	290,000
D. Stokes *	**312,392**	302,470
D. Bridges **	**659,596**	677,780
	2,111,988	2,000,250

* Paid in UK Sterling and translated at the average exchange rate for the year.

** Paid in US Dollars and translated at the average exchange rate for the year.

(ii) Short-term incentives

Feature	Description
Opportunity / Allocation	Key management personel (other than directors): 30% of fixed remuneration.
Performance metrics	The STI metrics align with our strategic priorities of market competitiveness, operational excellence, shareholder value and retaining talented and engaged people.
	Metric
	Group financial year EBIT targets, including growth on prior reporting period.
	Individual areas of reposponsibility financial year EBIT targets, including growth on prior reporting period.
	Performance based on quantitative and qualitative measures not connected to individual profit centres.
Delivery of STI	100% of the STI award is paid in cash subsequent to audited financial year results.
Board discretion	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.

The following STI's were approved by the Board in relation to the year ended 30 June 2018:

Key management personnel	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid/payable $
A. Lumsden	**27,750**	**27,750**	**-**	**55,500**
M. Bettridge	**27,000**	**27,000**	**-**	**54,000**
A. Sidwell	**-**	**-**	**30,000**	**30,000**
D. Stokes *	**-**	**-**	**34,710**	**34,710**
D. Bridges **	**49,336**	**98,671**	**-**	**148,007**
	104,086	**153,421**	**64,710**	**322,217**

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2018.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2018.

The following STI's were approved by the Board in relation to the year ended 30 June 2017:

Key management personnel	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid/payable $
A. Lumsden	-	-	-	-
M. Bettridge	-	-	-	-
A. Sidwell	-	-	-	-
D. Stokes *	-	-	-	-
D. Bridges **	-	-	132,538	132,538
	-	-	132,538	132,538

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2017.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2017.

(iii) Long-term incentives

Executive KMP participate, at the board's discretion, in the LTI plan comprising of awarded shares which are subject to earnings per share performance over a three (3) year period.

<table>
<tr><th>Feature</th><th colspan="2">Description</th></tr>
<tr><td>Opportunity / Allocation</td><td colspan="2">LTI opportunity is up to 50% of fixed remuneration. The opportunity quantified by shares based on the KMP's LTI opportunity / 30 day VWAP as at grant date.</td></tr>
<tr><td rowspan="6">Performance metrics</td><td colspan="2">EPS is assessed over 3 years, with a maximum tranche of one third of the LTI opportunity vesting each financial year. Targets will be based on the CAGR metric as outlined below.</td></tr>
<tr><td>The Group's EPS CAGR</td><td>Proportion of the annual tranche awards that satisfy the EPS vesting condition</td></tr>
<tr><td>EPS CAGR is less than 5%</td><td>0%</td></tr>
<tr><td>EPS CAGR is equal to 5%</td><td>25%, less the vested proportion</td></tr>
<tr><td>EPS CAGR is more than 5% and less than 10%</td><td>between 25% and 100%, as determined on a straight line basis, less the vested proportion</td></tr>
<tr><td>EPS CAGR is equal to or greater than 10%</td><td>100%, less the vested proportion</td></tr>
</table>

The following LTI's were approved by the Board in relation to the year ended 30 June 2018:

	Performance Rights Granted		Rights Vested		Rights Forfeited		Balance of unvested rights	
	Number	**Value**	**Number**	**%**	**Number**	**%**	**Number**	**$**
A. Lumsden	42,826	185,000	14,275	33	-	-	28,551	123,340
M. Bettridge	41,668	180,000	13,889	33	-	-	27,779	120,005
A. Sidwell	33,566	145,000	11,189	33	-	-	22,377	96,669
D. Bridges	76,742	331,525	25,581	33	-	-	51,161	221,016

d) Link between remuneration and performance

The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. We aim to align our management remuneration to our strategic and business objectives and the creation of shareholder wealth. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2014	2015	2016	2017	**2018**
STI as a % of target (%)	10.4	50.2	82.2	14.3	**34.5**
LTI as a % of target (%)	-	-	-	-	**100.0**
EBIT ($'000)	11,396	13,898	16,443	15,965	**17,676**
EPS (cents)	21.9	24.9	28.3	27.1	**29.9**
Dividends paid/payable (cents per share)	19.0	20.5	22.5	23.0	**46.0**
Share price at the end of the financial year ($)	2.89	3.81	4.70	4.40	**4.40**
Change in share price between the start and the end of the financial year (%)	18.4	31.8	23.4	(6.4)	**-**

e) Remuneration expenses for directors and executive KMP

Details of the remuneration of key management personnel of the Group for the year ended 30 June 2018 are set out in the table below (Table 1).

Table 1

Name	Fixed Remuneration				Variable Remuneration			
	Cash salary $	Non-cash benefits $	Post employment benefits $	Long service leave $	Cash Bonus $	Share Bonus $	Total $	Risk %
Non-executive directors								
W.W. Sidwell ^	336,154	-	24,932	(145,682)	-	-	215,404	-
C.A. Anzarut	82,192	-	12,808	-	-	-	95,000	-
K.B. Smith	70,320	-	24,680	-	-	-	95,000	-
J.A. Kendall	86,758	-	8,242	-	-	-	95,000	-
Sub-total non-executive directors	575,424	-	70,662	(145,682)	-	-	500,404	-
Other KMP								
A. Lumsden	374,951	-	20,049	9,040	55,500	61,667	521,207	22.5
M. Bettridge	351,568	13,383	20,049	15,772	54,000	60,000	514,772	22.1
A. Sidwell	311,696	8,255	20,049	12,734	30,000	48,333	431,067	18.2
D. Stokes*	314,823	-	15,620	-	34,710	-	365,153	9.5
D. Bridges**	634,558	23,217	31,601	-	148,007	110,510	947,893	27.3
Total KMP compensation	2,563,020	44,855	178,030	(108,136)	322,217	280,510	3,280,496	18.4

^ As of the 1 September 2017 Wayne Sidwell transitioned from executive chairman to non-executive chairman.

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2018.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2018.

Details of the remuneration of key management personnel for the Group for the year ended 30 June 2017 are set out in the table below (Table 2).

Table 2

Name	**Fixed Remuneration**				**Variable Remuneration**			
	Cash salary $	**Non-cash benefits $**	**Post employment benefits $**	**Long service leave $**	**Cash Bonus $**	**Share Bonus $**	**Total $**	**Risk %**
Non-executive directors								
C.A. Anzarut	77,626	-	17,374	-	-	-	95,000	-
K.B. Smith	60,274	-	34,726	-	-	-	95,000	-
J.A. Kendall	86,758	-	8,242	-	-	-	95,000	-
Sub-total non-executive directors	224,658	-	60,342	-	-	-	285,000	-
Executive chairman								
W.W. Sidwell	451,906	-	28,146	8,257	-	-	488,309	-
Other KMP								
S. Rees *(Until 1 March 2017)*	280,308	-	13,077	7,979	-	-	301,364	-
A. Lumsden	350,436	-	19,616	6,631	-	-	376,683	-
M. Bettridge	321,080	19,356	19,616	6,485	-	-	366,537	-
A. Sidwell	242,363	6,191	18,329	26,740	-	-	293,623	-
D. Stokes* *(From 1 March 2017)*	100,823	-	5,041	-	-	-	105,864	-
D. Bridges**	538,815	24,775	23,857	-	132,538	-	719,985	18.4
Total KMP compensation	2,510,389	50,322	188,024	56,092	132,538	-	2,937,365	4.5

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2017.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2017.

f) Contractual arrangements for executive KMP

All key management personnel are employed under contract by Wellcom Group Limited or its wholly-owned subsidiaries. The current employment contracts are for indefinite terms.

- All executives receive fixed remuneration inclusive of superannuation and other benefits, including motor vehicle benefits.
- Either the executive or the Company may terminate their contracts by giving 6 months written notice. Where such notice is provided by either the executive or the Company, the Company may request the executive refrain from performing their duties for the duration of the notice period and provide payment in lieu of the notice period.
- The Company may terminate the contract without notice if serious misconduct has occurred.

g) Key management personnel equity holdings

Fully paid ordinary shares held in Wellcom Group Limited

Year ended 30 June 2018

	Opening balance 1 July 2017	Granted as remuneration	Other changes	Closing balance 30 June 2018	Balance held nominally
Directors					
W.W. Sidwell	**18,262,140**	**-**	**50,738**	**18,312,878**	**-**
C.A. Anzarut	**20,000**	**-**	**-**	**20,000**	**-**
K.B. Smith	**20,000**	**-**	**-**	**20,000**	**-**
J.A. Kendall	**5,000**	**-**	**-**	**5,000**	
	18,307,140	**-**	**50,738**	**18,357,878**	**-**
Other key management personnel					
A. Lumsden	**60,000**	**-**	**(3,788)**	**56,212**	**-**
M. Bettridge	**-**	**-**	**-**	**-**	**-**
A. Sidwell	**80,000**	**-**	**-**	**80,000**	**-**
D. Stokes	**-**	**-**	**-**	**-**	**-**
D. Bridges	**-**	**-**	**-**	**-**	**-**
	140,000	**-**	**(3,788)**	**136,212**	**-**
	18,447,140	**-**	**46,950**	**18,494,090**	**-**

Year ended 30 June 2017

	Opening balance 1 July 2016	Granted as remuneration	Other changes	Closing balance 30 June 2017	Balance held nominally
Directors					
W.W. Sidwell	19,509,406	-	(1,247,266)	18,262,140	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
J.A. Kendall	-	-	5,000	5,000	-
	19,549,406	-	(1,242,266)	18,307,140	-
Other key management personnel					
S. Rees *(Resigned as Key Management Personel on 1 March 2017)*	16,000	-	(16,000)	-	-
A. Lumsden	70,000	-	(10,000)	60,000	-
M. Bettridge	-	-	-	-	-
A. Sidwell	80,000	-	-	80,000	-
D. Stokes *(Appointed as Key Management Personel on 1 March 2017)*	-	-	-	-	-
D. Bridges	-	-	-	-	-
	166,000	-	(26,000)	140,000	-
	19,715,406	-	(1,268,266)	18,447,140	-

h) Other transactions with directors

The profit from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with directors or their related entities.

	2018	2017
	$	$
Revenue		
Kinkaid Pty Ltd (a)	**-**	102,859
Total recognised as revenue	**-**	102,859
Expenses		
Raw materials and consumables (Kinkaid Pty Ltd) (a)	**-**	509,518
Legal fees (b)	**11,107**	14,776
Rent (c)	**1,028,110**	1,608,909
Total recognised as expenses	**1,039,217**	2,133,203

Aggregate amounts of assets and liabilities at the end of the reporting period relating to the above types of other transactions with directors of their personally related entities:

Current liabilities	**1,214**	39,475

(a) Mr Sidwell is a director and shareholder of Kinkaid Pty Ltd. The revenue and expenses arising during the year ended 30 June 2017 disclosed above were based on normal commercial terms and conditions. Revenues charged to Kinkaid Pty Ltd relate to computer to plate (CTP) production services provided by the Group. The raw materials and consumables purchased from Kinkaid Pty Ltd relate to printing services that are subsequently charged to the Group's customer base.

(b) A director, Mr C.A. Anzarut, is a partner in the firm of Anzarut & Partners. Anzarut & Partners have provided legal services to Wellcom Group Limited for several years on normal and commercial terms and conditions.

(c) The Company leases two buildings (reduced from three buildings on 21 July 2017) owned by a superannuation fund the assets of which the Chairman, Mr Wayne Sidwell, is a beneficiary. The rental agreements are based upon normal commercial terms and conditions and rents have been determined by independent valuation.

END OF THE AUDITED REMUNERATION REPORT

AUDITOR INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is included on page 42 of the financial report.

NON-AUDIT SERVICES

The Group's auditor, HLB Mann Judd, did not provide any non-audit services to the consolidated entity during the year ended 30 June 2018.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors

W.W. Sidwell
Chairman
Melbourne, 21 August 2018

HLB Mann Judd
Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Wellcom Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wellcom Group Limited and to the entities it controlled during the year.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
21 August 2018

HLB Mann Judd (VIC Partnership)
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HLB Mann Judd
Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of Wellcom Group Limited

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Wellcom Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

HLB Mann Judd (VIC Partnership)
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HLB Mann Judd
Accountants | Business and Financial Advisers

Key Audit Matters	**How our audit addressed the key audit matter**
Impairment Considerations over Goodwill Refer to Notes 2(n) Goodwill and 2(o) Impairment of Assets	
As at 30 June 2018, the Group's intangible asset balance included Goodwill with a carrying value of $47.6 million. The accounting treatment for Goodwill is outlined in note 2(n). Goodwill is held at cost and tested for impairment at each reporting period. Management assessed the recoverable amount of each cash-generating unit by performing a value in use calculation. These calculations use cash flow projections based on financial budgets approved by management, covering a five year period. Cash flows beyond the five year period are extrapolated using a steady estimated growth rate. The growth rate does not exceed the long term average growth rates for the business in which each cash generating unit ("CGU") operates. Management's assessment of the recoverability involved the exercise of significant estimates and judgments including, amongst others, the following factors: ▪ estimating expected cash flows over a 5 year period, applying appropriate growth rates and determining an adequate terminal value; ▪ estimating ongoing costs associated with each CGU; and • determining an appropriate discount rate.	Our procedures in relation to the accounting treatment of Goodwill and associated impairment considerations included, but were not limited to, the following: • assessed the adopted accounting treatment against the requirements of AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets*; • obtained management's adopted impairment model ("the model") and checked the mathematical accuracy of formulae and calculations in the model, including separate discounted cash flow assessments for Australasia, UK and USA; • performed sensitivity analysis over key assumptions utilised and judgements made (i.e. discount rate used, expected growth rates, ongoing costs) in the model taking into consideration our knowledge of the Group's operations and with reference to available external data; and • assessed if the Group's adopted disclosures met with the requirements of applicable Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

HLB Mann Judd
Accountants | Business and Financial Advisers

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

HLB Mann Judd
Accountants | Business and Financial Advisers

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 41 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Wellcom Group Limited for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Nick Walker
Partner

Melbourne
21 August 2018

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 48 to 92 are in accordance with the *Corporations Act 2001*, including:

i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) states that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

W.W. Sidwell
Chairman

Melbourne, 21 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Continuing operations			
Revenue	3(a)	**155,166**	145,174
Other income	3(b)	**694**	971
Raw materials and consumables		**(65,035)**	(63,616)
Occupancy expenses		**(8,291)**	(7,119)
Employee benefits expense	3(c)	**(56,444)**	(51,809)
Depreciation, amortisation and impairment	3(d)	**(2,810)**	(2,764)
Finance costs	3(e)	**(339)**	(147)
Consulting expenses		**(134)**	(65)
Other expenses		**(5,398)**	(4,725)
Profit before income tax expense		**17,409**	15,900
Income tax expense	4(a)	**(5,685)**	(5,273)
Net profit for the year		**11,724**	10,627
Profit for the year is attributable to:			
Owners of Wellcom Group Limited		**11,724**	10,627
Earnings per share:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of parent:			
Basic (cents per share)	21	**29.92**	27.12
Diluted (cents per share)	21	**29.92**	27.12
Earnings per share from profit attributable to the ordinary equity holders of the parent:			
Basic (cents per share)	21	**29.92**	27.12
Diluted (cents per share)	21	**29.92**	27.12

Notes to the consolidated financial statements are included on pages 53 to 92.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	**2018** **$'000**	2017 $'000
Profit for the year		**11,724**	10,627
Other comprehensive income			
Foreign currency translation, net of tax	20	**1,175**	(1,079)
Other comprehensive loss for the year, net of tax		**1,175**	(1,079)
Total comprehensive income for the year		**12,899**	9,548
Total comprehensive income for the year is attributable to:			
Owners of Wellcom Group Limited		**12,899**	9,548

Notes to the consolidated financial statements are included on pages 53 to 92.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents	5(a)	**8,033**	6,823
Trade and other receivables	7	**24,950**	22,329
Inventories and work in progress	8	**2,230**	1,733
Current tax receivable	4(b)	**-**	42
Other current assets	9	**1,903**	1,625
Total current assets		**37,116**	32,552
Non-current assets			
Property, plant and equipment	10	**6,431**	4,551
Deferred tax assets	4(c)	**1,987**	1,287
Intangible assets	11	**49,457**	48,398
Other non-current assets	12	**586**	319
Total non-current assets		**58,461**	54,555
Total assets		**95,577**	87,107
Current liabilities			
Trade and other payables	13	**16,852**	14,501
Short term borrowings	14	**93**	95
Current tax payables	4(b)	**390**	-
Provisions	15	**4,343**	3,876
Total current liabilities		**21,678**	18,472
Non-current liabilities			
Long term borrowings	17	**10,138**	44
Deferred tax liabilities	4(c)	**2,326**	1,851
Provisions	16	**313**	396
Other non-current liabilities	18	**691**	382
Total non-current liabilities		**13,468**	2,673
Total liabilities		**35,146**	21,145
Net assets		**60,431**	65,962
Equity			
Contributed equity	19	**38,355**	38,355
Retained earnings and reserves	20	**22,076**	27,607
Total equity attributable to owners of Wellcom Group Limited		**60,431**	65,962

Notes to the consolidated financial statements are included on pages 53 to 92.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity attributable to owners of the parent $'000
At 1 July, 2017		**38,355**	**(985)**	**28,592**	**65,962**
Profit for the year		**-**	**-**	**11,724**	**11,724**
Other comprehensive income for the year		**-**	**1,175**	**-**	**1,175**
Total comprehensive income for the year		**-**	**1,175**	**11,724**	**12,899**
Transactions with owners in their capacity as owners:					
Dividends paid	22	**-**	**-**	**(19,007)**	**(19,007)**
Employee Share Scheme		**-**	**577**	**-**	**577**
At 30 June, 2018		**38,355**	**767**	**21,309**	**60,431**

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity attributable to owners of the parent $'000
At 1 July, 2016		38,355	94	26,979	65,428
Profit for the year		-	-	10,627	10,627
Other comprehensive income for the year		-	(1,079)	-	(1,079)
Total comprehensive income for the year		-	(1,079)	10,627	9,548
Transactions with owners in their capacity as owners:					
Dividends paid	22	-	-	(9,014)	(9,014)
At 30 June, 2017		38,355	(985)	28,592	65,962

Notes to the consolidated financial statements are included on pages 53 to 92.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		**168,189**	162,469
Payments to suppliers and employees		**(147,311)**	(146,604)
Income tax paid		**(5,445)**	(5,611)
Interest and other costs of finance paid		**(340)**	(147)
Net cash provided by operating activities	5(b)	**15,093**	10,107
Cash flows used in investing activities			
Interest received		**79**	84
Proceeds from sale of property, plant and equipment		**-**	4
Payment of development costs	11	**(1,143)**	(844)
Payment for property, plant and equipment	10	**(3,749)**	(1,187)
Net cash used in investing activities		**(4,813)**	(1,943)
Cash flows used in financing activities			
Dividends paid		**(19,007)**	(9,014)
Proceeds/(Repayments) of borrowings		**10,104**	(195)
Net cash used in financing activities		**(8,903)**	(9,209)
Net increase / (decrease) in cash and cash equivalents		**1,377**	(1,045)
Cash and cash equivalents at the beginning of the year		**6,823**	7,764
Effects of exchange rate changes on cash and cash equivalents		**(167)**	104
Cash and cash equivalents at the end of the year	5(a)	**8,033**	6,823

Notes to the consolidated financial statements are included on pages 53 to 92.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

The financial statements of Wellcom Group Limited (the Group or consolidated entity) for the year ended 30 June 2018 was authorised for issue inaccordance with a resolution of the directors on 21 August 2018.

Wellcom Group Limited is a company incorporated and domiciled in Australia and limited by shares, which are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of Wellcom Group Limited and its subsidiaries.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Wellcom Group Limited is a for-profit entity for the purpose of preparing these financial statements.

(i) Compliance with IFRS

The Financial Statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The impact of adoption of new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2017 is disclosed in note 2(ab).

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

(iv) Historical cost convention

The financial report has been prepared on a historical cost basis unless otherwise stated.

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiaries at 30 June each year (the Group). Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. During the year ended 30 June 2018 subsidiaries have comprised Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Moving Images Pty Ltd, iPrint Corporate Pty Ltd, Wellcom Group Inc, theLab LLC, Dippin' Sauce LLC and Wellcom Group Limited (Hong Kong).

Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd and Wellcom Group Limited (Hong Kong) are 100% owned by Wellcom Group Limited. The consolidated financial statements include the results of Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd and Wellcom Group Limited (Hong Kong) for the entire financial year. The financial statements of these subsidiaries have been prepared using consistent accounting policies adopted by the Group.

Wellcom Moving Images Pty Ltd and iPrint Corporate Pty Ltd are 100% owned and controlled by Wellcom Group Limited. Both subsidiaries were dormant until de-registered on the 26 June 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Principles of consolidation (continued)

Wellcom Group Inc is 100% owned by Wellcom Group Limited. The consolidated financial statements include the results of Wellcom Group Inc for the entire financial year. The financial statements of the subsidiary have been prepared using consistent accounting policies adopted by the Group.

theLab LLC and Dippin' Sauce LLC are 100% owned by Wellcom Group Inc. The consolidated financial statements include the results of theLab LLC and Dippin' Sauce LLC for the entire financial year. The financial statements of the subsidiary have been prepared using consistent accounting policies adopted by the Group.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-Group transactions have been eliminated in full.

c) Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions can be found in the relevant notes to the financial statements.

(i) Significant accounting judgements

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets other than goodwill

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined. Management does not consider that the triggers for impairment testing have been significant and as such these assets have not been tested for impairment in this financial period.

(ii) Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, to which the goodwill is allocated, using a value in use discounted cash flow methodology. Further details of significant accounting estimates and assumptions applied are provided in note 11.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services were provided.

Interest income

Interest income is recognised using the effective interest rate method.

Dividends

Dividends are recognised as revenue when the right to receive payment is established.

e) Borrowings

Borrowings are initially recorded at fair value, net of transaction costs incurred.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the consolidated income statement over the period of the borrowings using the effective interest rate method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs are expensed as they are incurred. Wellcom Group Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions and readily convertible investments in money market instruments, net of outstanding bank overdrafts. Where outstanding bank overdrafts exist, they are shown within borrowings in current liabilities in the consolidated statement of financial position. For the purpose of the consolidated statement of cash flows cash and cash equivalents consist of cash and cash equivalents as defined above.

g) Employee benefits

i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Employee benefits (continued)

ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

h) Investments and other financial assets

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

Financial assets at fair value through profit or loss

Financial assets at fair value through the profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The Group did not have any assets classified as 'financial assets at fair value through profit or loss' during this reporting period.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets

The entity did not have any assets classified as being 'available-for-sale'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments and other financial assets (continued)

Loans and receivables

i) Trade receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at amortised cost using the effective interest method less any allowance for any uncollectable amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group may not be able to collect the debts. Collectibility of trade receivables is reviewed on an ongoing basis, and bad debts are written off when identified.

ii) Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recorded at amortised cost using the effective interest method less any impairment. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Impairment

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

i) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity, net of any tax effect, as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the classification of the related debt or equity instruments or component parts of compound instruments in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

k) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Wellcom Group Limited's functional and presentation currency.

(ii) Translation and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss, except when they are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless that it is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Intangible assets

Intangible assets acquired in a business combination

All intangible assets acquired in a business combination are initially measured at fair value at the date of acquisition. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. All potential intangible assets are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised developments costs, are not capitalised and expenditure is recognised as an expense in the period incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

n) Goodwill

Goodwill acquired in a business combination is measured as described in note 2(v). Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;

(ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and

(iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill is recognised as an asset and not amortised, but tested for impairment annually and more frequently if there is an indication that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates.

Wellcom Group Limited performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for cash generating units to which goodwill and indefinite lived intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 11.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Goodwill (continued)

When the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (or group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

o) Impairment of assets

The carrying amount of tangible and intangible assets are reviewed annually to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

p) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Income tax (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Wellcom Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation on 1 July 2012. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.

q) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly in expenses.

Finance leased assets are amortised on a straight-line basis over the shorter of the estimated useful life of the asset and the remaining lease term.

Operating lease payments are recognised as an expense in the consolidated statement of profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Trade and other payables

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

s) Property, plant and equipment

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Leasehold improvements	6 - 10 years
Plant & equipment	3 - 20 years
Equipment under finance lease	3 - 6 years
Furniture, fixtures & fittings	5 years

The carrying values of plant and equipment, leasehold improvements and equipment under finance lease are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

For assets that do not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the year the asset is derecognised.

t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Provisions (continued)

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

v) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent assets assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's weighted average cost of capital, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, divided by the weighted average number of issued ordinary shares, adjusted for any bonus element.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Earnings per share (continued)

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of issued ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

y) Parent entity financial information

The financial information for the parent entity, Wellcom Group Limited, disclosed in note 30 has been prepared on the same basis as the consolidated financial statements.

z) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

aa) New and amended standards adopted by the Group

There have been no changes to the Group's accounting policies during the reporting period.

ab) New Accounting Standards for Application in Future Periods

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ab) New Accounting Standards for Application in Future Periods (continued)

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers. The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The Group has reviewed the application of the standard and does not anticpate a material impact occurring from the new standard.

AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

3. PROFIT FROM OPERATIONS

	2018 $'000	2017 $'000
(a) Revenue		
Revenue from continuing operations	**155,166**	145,174
(b) Other income		
Gain from derecognition of contingent consideration	**71**	230
Interest revenue (bank deposits)	**72**	82
Rental and sub-lease rental income	**420**	420
Other	**131**	239
	694	971
(c) Employee benefits expense		
Salaries and wages	**(56,257)**	(51,639)
Fringe benefits tax	**(129)**	(113)
Staff amenities	**(58)**	(57)
	(56,444)	(51,809)
(d) Depreciation, amortisation & impairment		
Depreciation of non-current assets	**(2,010)**	(2,151)
Amortisation of internally generated intangible assets	**(800)**	(613)
	(2,810)	(2,764)
(e) Finance costs		
Interest expense	**(339)**	(147)
(f) Net loss on disposal of property, plant and equipment	**(18)**	-
(g) Rental expenses relating to operating leases		
Minimum lease payments	**(5,948)**	(5,308)
(h) Net foreign exchange loss	**(51)**	(80)
(i) Bad and doubtful debts loss	**(23)**	(36)

4. INCOME TAX EXPENSE

	2018 $'000	2017 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current income tax expense	**5,632**	4,860
Deferred income tax income relating to the origination and reversal of temporary differences	**(199)**	498
Current income charge in respect of previous years	**252**	(85)
Total income tax expense	**5,685**	5,273
Attributable to:		
Continuing operations	**5,685**	5,273
Deferred income tax revenue included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 4(c))	**(674)**	443
Increase in deferred tax liabilities (note 4(c))	**475**	55
	(199)	498
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from continuing operations before income tax expense	**17,409**	15,900
Income tax expense calculated at 30% (2017: 30%)	**5,223**	4,770
Non-deductible expenses	**107**	83
Research and development deduction	**-**	(166)
Differences in overseas tax rates	**117**	669
Previously unrecognised tax losses recouped to reduce current tax expense	**(17)**	-
Under/(Over) provided in prior periods	**252**	(85)
Change in unrecognised temporary differences	**16**	10
Non-assessable income	**(31)**	(103)
Adjustments for current tax of prior periods	**16**	85
Deferred tax assets not recognised	**2**	10
	5,685	5,273

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2017: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

	2018 $'000	2017 $'000
(b) Current tax assets and liabilities		
Current tax assets	**-**	42
Current tax liabilities	**390**	-
(c) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	**1,987**	1,287
Deferred tax liabilities comprise:		
Temporary differences	**2,326**	1,851

4. INCOME TAX EXPENSE (CONTINUED)

2018

	Opening balance $'000	Charged/ Credited to Income $'000	Charged to Equity $'000	Closing balance $'000
Gross deferred tax assets:				
Provisions	**1,282**	**438**	**26**	**1,791**
Doubtful debts	**2**	**(2)**	**-**	**-**
Accrual	**-**	**196**	**-**	**196**
Property, plant and equipment	**3**	**(3)**	**-**	**-**
	1,287	**674**	**26**	**1,987**
Gross deferred tax liabilities:				
Interest receivable	**2**	**(2)**	**-**	**-**
Intangible assets	**1,447**	**162**	**-**	**1,609**
Investments	**17**	**(16)**	**-**	**1**
Deposits paid	**1**	**(1)**	**-**	**-**
PP&E	**384**	**332**	**-**	**716**
	1,851	**475**	**-**	**2,326**

2017

	Opening balance $'000	Credited to Income $'000	Charged to Equity $'000	Closing balance $'000
Gross deferred tax assets:				
Provisions	1,719	(437)	-	1,282
Doubtful debts	-	2	-	2
Property, plant and equipment	11	(8)	-	3
	1,730	(443)	-	1,287
Gross deferred tax liabilities:				
Interest receivable	3	(1)	-	2
Intangible assets	972	475	-	1,447
Investments	13	4	-	17
Deposits paid	1	-	-	1
PP&E	807	(423)	-	384
	1,796	55	-	1,851

	2018 $'000	2017 $'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**1,914**	1,869
Potential tax benefit	**380**	337

The above tax losses relate to overseas subsidiaries.

5. CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
(a) Cash and cash equivalents		
Cash on hand	**13**	17
Cash at bank	**6,520**	4,806
Cash at call	**1,500**	2,000
Total cash and cash equivalents	**8,033**	6,823

Cash at bank and on hand earns interest at floating rates based upon daily deposit rates. Cash at call earns higher interest rates at fixed rates at floating rates based upon the Australian cash rate. The interest rate applicable to cash on deposit at 30 June 2018 is 1.8% (2017: 1.8%).

(b) Reconciliation of profit to the net cash flows from operating activities

A reconciliation of the net profit after tax of the Group to the net cash inflows from operating activities is provided below:

	2018 $'000	2017 $'000
Net profit after income tax	**11,724**	10,627
Adjustments for non-cash income and expense items:		
Amortisation of intangible assets	**800**	613
Depreciation of non-current assets	**2,010**	2,151
Loss/(Profit) on disposal of non-current assets	**18**	(4)
Interest income received and receivable	**(79)**	(84)
Gain on derecognition of contingent consideration	**(71)**	(230)
Net exchange difference	**1,172**	(997)
Employee share scheme expense	**577**	-
Increase/decrease in assets/liabilities:		
Trade and other receivables	**(2,621)**	722
Inventories	**(497)**	(626)
Other assets	**(1,262)**	610
Trade and other payables	**2,660**	(2,294)
Income tax payable	**432**	(756)
Deferred tax balances	**(225)**	498
Provisions	**455**	(173)
Net cash from operating activities	**15,093**	10,107

(c) Financing activities

	2018 $'000	2017 $'000
Secured bank finance facilities subject to annual review:		
- amount used	**12,302**	1,165
- amount unused	**2,998**	8,081
	15,300	9,246

6. REMUNERATION OF AUDITORS

	2018 $	2017 $
(a) Auditor services		
HLB Mann Judd:		
Audit and review of the financial reports	**91,545**	89,750
HLB Mann Judd related practices:		
Audit and review of the financial reports	**47,067**	47,571
Other Auditors:		
Audit and review of the financial reports	**33,200**	30,995
Total remuneration for audit services	**171,812**	168,316
(b) Other services		
HLB Mann Judd related practices:		
Taxation services	**23,050**	18,653
Other Auditors:		
Taxation services	**1,758**	2,521
Total remuneration for non-audit services	**24,808**	21,174

7. TRADE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Trade receivables	**24,961**	22,344
Allowance for doubtful debts (note 23)	**(58)**	(76)
	24,903	22,268
Sundry debtors	**47**	54
Interest income receivable	**-**	7
	24,950	22,329

Trade receivables are non-interest bearing and have average credit periods of thirty (30) to ninety days (90). An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The amount of any allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. The Group's exposure to credit risk and foreign exchange risk related to trade and other receivables is disclosed in note 23. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

8. INVENTORIES AND WORK IN PROGRESS

	2018 $'000	2017 $'000
Raw materials at cost	**103**	101
Work in progress	**2,127**	1,632
	2,230	1,733

9. OTHER CURRENT ASSETS

	2018 $'000	2017 $'000
Prepayments	**1,903**	1,625
	1,903	1,625

10. PROPERTY, PLANT AND EQUIPMENT

	Plant and equipment $'000	Leasehold improvements $'000	Furniture and fittings $'000	Equipment under finance lease $'000	Total $'000
At 30 June 2016					
At cost	17,353	3,326	1,554	505	22,738
Accumulated depreciation	(13,419)	(2,281)	(1,172)	(240)	(17,112)
Net book amount	3,934	1,045	382	265	5,626
Year ended 30 June 2017					
Opening net book amount	3,934	1,045	382	265	5,626
Additions	733	-	454	-	1,187
Disposals/transfers	(4)	-	-	-	(4)
Depreciation charge	(1,445)	(261)	(328)	(117)	(2,151)
Exchange differences	(74)	(20)	(6)	(7)	(107)
Closing net book amount	3,144	764	502	141	4,551
At 30 June 2017					
At cost	17,765	3,280	1,972	488	23,505
Accumulated depreciation	(14,621)	(2,516)	(1,470)	(347)	(18,954)
Net book amount	3,144	764	502	141	4,551
Year ended 30 June 2018					
Opening net book amount	**3,144**	**764**	**502**	**141**	**4,551**
Additions	**1,438**	**1,719**	**387**	**205**	**3,749**
Disposals/transfers/revaluations	**(1)**	**(16)**	**(1)**	**-**	**(18)**
Depreciation charge	**(1,489)**	**(88)**	**(319)**	**(114)**	**(2,010)**
Exchange differences	**81**	**57**	**11**	**10**	**159**
Closing net book amount	**3,173**	**2,436**	**580**	**242**	**6,431**
At 30 June 2018					
At cost	**18,902**	**6,440**	**2,343**	**722**	**28,407**
Accumulated depreciation	**(15,729)**	**(4,004)**	**(1,763)**	**(480)**	**(21,976)**
Net book amount	**3,173**	**2,436**	**580**	**242**	**6,431**

11. INTANGIBLE ASSETS

	Goodwill $'000	Software * $'000	Total $'000
At 1 July 2016			
Cost	48,091	2,060	50,151
Accumulated amortisation	-	(777)	(777)
Accumulated impairment losses	(460)	-	(460)
Net book amount	47,631	1,283	48,914
Year ended 30 June 2017			
Opening net book amount	47,631	1,283	48,914
Additions – internal development	-	844	844
Amortisation charge **	-	(613)	(613)
Exchange differences	(747)	-	(747)
Closing net book amount	46,884	1,514	48,398
At 30 June 2017			
Cost	47,344	2,904	50,248
Accumulated amortisation	-	(1,390)	(1,390)
Accumulated impairment losses	(460)	-	(460)
Net book amount	46,884	1,514	48,398
Year ended 30 June 2018			
Opening net book amount	**46,884**	**1,514**	**48,398**
Additions – internal development	**-**	**1,143**	**1,143**
Amortisation charge **	**-**	**(800)**	**(800)**
Exchange differences	**716**	**-**	**716**
Closing net book amount	**47,600**	**1,857**	**49,457**
At 30 June 2018			
Cost	**48,060**	**4,047**	**52,107**
Accumulated amortisation	**-**	**(2,190)**	**(2,190)**
Accumulated impairment losses	**(460)**	**-**	**(460)**
Net book amount	**47,600**	**1,857**	**49,457**

* Software includes capitalised development costs being an internally generated intangible asset.
** Amortisation of $800,269 (2017: $612,970) is included in depreciation and amortisation expense in the profit and loss.

(a) Impairment testing of goodwill

Goodwill is allocated to the Group's cash-generating units (CGU's) according to operating segment and country of operation. A segment-level summary of the goodwill allocation is presented below.

	2018 $'000	2017 $'000
Australasia	**30,405**	30,405
United Kingdom	**5,512**	5,253
United States of America	**11,683**	11,226
Total Goodwill	**47,600**	46,884

During the financial period, the Group assessed the recoverable amount of goodwill. The recoverable amount of each cash-generating unit is determined by value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using steady estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

11. INTANGIBLE ASSETS (CONTINUED)

(b) Key assumptions used for value-in-use calculations

	Growth rate *		Discount rate **	
	2018 %	2017 %	**2018 %**	2017 %
Australasia	**3.0**	3.0	**8.4**	9.2
United Kingdom	**3.0**	3.0	**10.6**	10.6
United States of America	**3.0**	3.0	**9.0**	8.2

*Estimated growth rate used to extrapolate cash flows beyond the budget period.

** In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates to pre-tax cash flows.

In completing value-in-use calculations management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. Management believes the projected growth rate to be prudent and justified based on the Group's past and expected performance. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

(c) Impact of possible changes in key assumptions

A reasonable change in key assumptions would not cause the CGU's carrying amounts to exceed their recoverable amounts.

12. OTHER NON-CURRENT ASSETS

	2018 $'000	2017 $'000
Deposits paid	**586**	319

13. TRADE AND OTHER PAYABLES

	2018 $'000	2017 $'000
Unsecured		
Trade payables	**11,175**	10,241
Goods and services tax / value added tax (GST / VAT) payable	**791**	884
Other	**4,886**	3,376
	16,852	14,501

The average credit period on purchases of goods and services is thirty (30) days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

14. SHORT TERM BORROWINGS

	2018 $'000	2017 $'000
Lease liability (Note 24)	**93**	95
	93	95

15. CURRENT PROVISIONS

	2018 $'000	2017 $'000
Employee benefits (a)	**4,062**	3,876
Provision for makegood (b)	**281**	-
	4,343	3,876

(a) The current provision for employee benefits includes accrued annual leave, long service leave and provision for redundancies. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of $4,062,000 (2017: $3,876,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2018 $'000	2017 $'000
Current leave obligations expected to be settled after 12 months	**2,261**	2,378

(b) Provision for Makegood

Provision has been made for the estimated cost ("makegood") to restore leasehold property to its former state under the terms of the various leases. The costs have been measured at present value of the estimated expenditure required to remove any leasehold improvements.

	2018 $'000	2017 $'000
Movement in provisions: Makegood		
Carrying amount at the beginning of the year	**-**	20
Charged/(Credited) to the consolidated income statement:		
- Additional provisions recognised	**266**	-
- Movement from non-current provision	**15**	-
- Derecognition of make good provision	**-**	(20)
Carrying amount at year end	**281**	-

16. NON-CURRENT PROVISIONS

	2018 $'000	2017 $'000
Employee benefits	**293**	289
Provision for makegood (a)	**20**	35
Contingent purchase consideration (note 29)	**-**	72
	313	396

(a) Provision for Makegood

Provision has been made for the estimated cost ("makegood") to restore leasehold property to its former state under the terms of the various leases. The costs have been measured at present value of the estimated expenditure required to remove any leasehold improvements.

	2018 $'000	2017 $'000
Movement in provisions: Makegood		
Carrying amount at the beginning of the year	**35**	15
Charged/(Credited) to the consolidated income statement:		
- Additional provisions recognised	**-**	20
- Movement to current provision	**(15)**	-
Carrying amount at year end	**20**	35

17. LONG TERM BORROWINGS

	2018 $'000	2017 $'000
Lease liability (Note 24)	**138**	44
Corporate Market Loan (a)	**10,000**	-
	10,138	44

(a) The corporate market loan has an expiration date of 31 March 2021. The interest rate is calculated at the BBSY rate plus a 3.6% margin.

18. OTHER NON-CURRENT LIABILITIES

	2018 $'000	2017 $'000
Deferred rent	**575**	374
Deposits payable	**116**	8
	691	382

19. CONTRIBUTED EQUITY

	2018 $'000	2017 $'000
39,190,001 (2017: 39,190,001) fully paid ordinary shares*	**38,355**	38,355
	38,355	38,355

* Fully paid ordinary shares carry one voting right per share and carry the right to receive dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. The shares do not have a par value.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of directors monitors the return on capital, which the Group defines as net operating income attributable to members of the parent entity divided by average shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's aim is to achieve a minimum return on capital of 15 percent; during the year ended 30 June 2018 the return was 19 percent (2017: 16 percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was 4 percent (2017: NIL).

There were no changes in the Group's approach to capital management during the year.

Wellcom Group Limited has entered into lending arrangements with its bankers to obtain overdraft, corporate loan, commercial card and multi option funding facilities. The Group has undertaken to adhere to financial reporting and other conditions as part of this arrangement. The other conditions consist of financial covenants for interest cover and debt to EBITDA ratios, unencumbered liquid assets thresholds and EBITDA thresholds. The Group has given undertakings that these ratios and thresholds will be within agreed limits, measured either against six or twelve month rolling results. The Group has complied with the externally imposed capital requirements during the current and prior years.

20. RETAINED EARNINGS AND RESERVES

	2018 $'000	2017 $'000
(a) Reserves		
Foreign currency translation reserve	**190**	(985)
Employee share scheme reserve	**551**	-
Deferred tax reserve	**26**	-
	767	(985)
Movements:		
Foreign currency translation reserve:		
Balance at beginning of financial year	**(985)**	94
Currency translation differences during the year	**1,175**	(1,079)
Balance at end of financial year	**190**	(985)
Employee share scheme reserve:		
Balance at beginning of financial year	**-**	-
Increase in value of share rights to employees	**551**	-
Balance at end of financial year	**551**	-
Deferred tax reserve:		
Balance at beginning of financial year	**-**	-
Increase in deferred tax assets taken to equity	**26**	-
Balance at end of financial year	**26**	-
(b) Retained earnings		
Movements in retained profits were as follows:		
Balance at beginning of financial year	**28,592**	26,979
Net profit attributable to members of the parent	**11,724**	10,627
Dividends paid or provided for (note 22)	**(19,007)**	(9,014)
Balance at end of financial year	**21,309**	28,592
Total reserves and retained earnings	**22,076**	27,607

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in profit or loss when the net investment is disposed of.

21. EARNINGS PER SHARE

	2018 Cents	2017 Cents
(a) Basic earnings per share		
- from continuing operations	**29.92**	27.12
Total basic earnings per share	**29.92**	27.12
(b) Diluted earnings per share		
- from continuing operations	**29.92**	27.12
Total diluted earnings per share	**29.92**	27.12

21. EARNINGS PER SHARE (CONTINUED)

(c) Reconciliations of earnings used in calculating earnings per share	2018 $'000	2017 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**11,724**	10,627
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**11,724**	10,627
Adjustments to profits for the purposes of calculating diluted earnings per share	**-**	-
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**11,724**	10,627

Weighted number of shares used as the denominator	2018 No. '000	2017 No. '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**39,190**	39,190
Adjustments for calculation of diluted earnings per share	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**39,190**	39,190

22. DIVIDENDS

	2018 Cents	2018 $'000	2017 Cents	2017 $'000
(a) Fully paid ordinary shares				
Final dividend				
Fully franked for the year ended 30 June 2017, Paid 15 September 2017 (2016: 16 September 2016)	**13.5**	**5,291**	13.5	5,291
Interim dividend				
Fully franked for the half year ended 31 December 2017 inclusive of a 25.0 cent special dividend, Paid 16 March 2018 (2016: 17 March 2017)	**35.0**	**13,716**	9.5	3,723
	48.5	**19,007**	23.0	9,014
(b) Dividends not recognised at year end				
Final dividend				
Fully franked final dividend for the year ended 30 June 2018, to be paid 14 September 2018 (2017: 15 September 2017)	**11.0**	**4,311**	13.5	5,291
	11.0	**4,311**	13.5	5,291

22. DIVIDENDS (CONTINUED)

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2018.

	2018 $'000	2017 $'000
Franking credits available for subsequent years based on a tax rate of 30% (2017: 30%)	**1,974**	7,559

The above amounts represent the balance of the franking account at the end of the financial year, adjusted for:

(a) franking credits that will arise from the payment of the amount of the provision for income tax;
(b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
(c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated accounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability at year end will be a reduction in the franking account of $1,847,529 (2017: $2,267,421).

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. Quantitative disclosures are also included in this note.

The Board of directors has overall responsibility for the establishment and oversight of the risk management framework. The Chief Executive Officer and Chief Financial Officer are responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set out appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced.

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents held with financial institutions.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including default risk of the industry and country in which the customers operate, has less of an influence on credit risk. Geographically, there is no concentration of credit risk.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group has been transacting with the majority of its customers for over five years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents an estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Credit risk in relation to cash and cash equivalents is minimised by investing only with financial institutions that maintain a high credit rating.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**2018 $'000**	2017 $'000
Cash and cash equivalents	5	**8,033**	6,823
Trade receivables	7	**24,903**	22,268
Other receivables	7	**47**	61
		32,983	29,152

The Group's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was $24,903k (2017: $22,268k).

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

Impairment losses

The ageing of the Group's trade receivables at the reporting date was:

	Gross 2018 $'000	**Impairment 2018 $'000**	Gross 2017 $'000	Impairment 2017 $'000
Not past due	**15,368**	**-**	13,933	-
Past due 0-30 days	**6,554**	**-**	6,041	-
Past due 31-120 days	**2,295**	**51**	2,243	59
Past due 121 days to one year	**744**	**7**	127	17
	24,961	**58**	22,344	76

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	2018 $'000	2017 $'000
Opening balance at 1 July	**76**	98
Impairment loss recognised	**23**	36
Receivables written off during the year as uncollectible	**(37)**	(52)
Foreign exchange movement	**(4)**	(6)
Closing balance at 30 June	**58**	76

The creation of the provision for impaired receivables has been included in 'other expenses' in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains the following lines of credit:

- $10,000k Corporate Loan Facility;
- $5,000k Multi-Option funding facility; and
- $300k Commercial Card Facility.

The following are the Group's contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

2018

Non-derivative financial liabilities	Carrying Amount $'000	Contractual cash flows $'000	6 months or less $'000
Trade and other payables	**16,852**	**16,852**	**16,852**
Borrowings	**10,231**	**10,243**	**53**
	27,083	**27,095**	**16,905**

2017

Non-derivative financial liabilities	Carrying Amount $'000	Contractual cash flows $'000	6 months or less $'000
Trade and other payables	14,501	14,501	14,501
Borrowings	139	142	50
	14,640	14,643	14,551

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

As the Group's exposure to market risk is low, no derivative or financial liabilities were entered into during the year ended 30 June 2018 or the year ended 30 June 2017 with the purpose of managing market risks. The Board will continue monitoring the Group's exposure to market risk and in the event that derivatives and/or financial liabilities are entered into, the Board will consider the costs and benefits of seeking to apply hedge accounting in order to manage volatility in profit and loss.

Currency risk

The Group does not have material transactions between businesses in Australia and overseas, with the exception of inter Group transactions, which would give rise to receivables and payables in foreign currency of each of the business units. The individual business units do not have material trade in currency other than their own with third parties that would give rise to any foreign currency risk. The Group considers itself a long-term holder of the assets of Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Group Inc, theLab LLC, Dippin' Sauce LLC and as such does not consider the inter group balances to represent short-term currency risk exposure.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily AUD.

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

As the Group's exposure to currency risk on commercial trading is not significant it has not entered into any hedge transactions or taken alternative measures to minimise fluctuations in the respective currencies.

Exposure to currency risk

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

In thousands of AUD			**30 June 2018**							30 June 2017
	GBP	**NZD**	**SGD**	**MYR**	**USD**	GBP	NZD	SGD	MYR	USD
Trade receivables	**2,801**	**568**	**-**	**17**	**4,947**	3,911	194	-	-	4,497
Trade payables	**(1,728)**	**(62)**	**-**	**(8)**	**(457)**	(1,978)	(37)	(2)	(43)	(361)
Gross exposure	**1,073**	**506**	**-**	**9**	**4,490**	1,933	157	(2)	(43)	4,136

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
$1 AUD : 1	**2018**	2017	**2018**	2017
GBP	**0.5762**	0.5951	**0.5634**	0.5913
NZD	**1.0854**	1.0587	**1.0903**	1.0500
SGD	**1.0408**	1.0505	**1.0078**	1.0598
MYR	**3.1614**	3.2331	**2.9837**	3.3029
USD	**0.7753**	0.7545	**0.7391**	0.7692
HKD	**6.0665**	5.8589	**5.8003**	6.0031

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

	Equity $'000	**Profit or loss $'000**
30 June 2018		
GBP	**103**	**-**
NZD	**47**	**35**
MYR	**1**	**-**
USD	**408**	**-**
30 June 2017		
GBP	182	-
NZD	14	18
MYR	4	-
USD	376	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Fair values

Fair values versus carrying amounts

Carrying amounts of assets and liabilities approximate fair value. No financial assets and financial liabilities are readily traded on organised markets in standardised form nor are any of them recorded at fair value, therefore no fair value hierarchy disclosure is required. The aggregate fair value and carrying amounts of financial assets and financial liabilities are disclosed in the consolidated statement of financial position and in the notes to the financial statements. Refer to note 29 for the Group's fair value information.

24. COMMITMENTS FOR EXPENDITURE

(a) Plant and equipment

There are no known material future commitments for expenditure at the date of this report.

(b) Lease commitments

Group as lessee

i) Non-cancellable operating leases

The Group leases various office premises and equipment under non-cancellable operating leases expiring within 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	2018 $'000	2017 $'000
Within one year	**5,232**	4,360
Later than one year but not later than five years	**15,196**	10,532
Later than five years	**6,586**	2,553
	27,014	17,445

ii) Finance lease and hire purchase

The Group finances various plant and equipment under lease finance and hire purchase expiring within one to five years. Under the terms of the leases, the Group has the option to acquire the leased assets on expiry of the leases. The finance lease is predominantly for content production and associated plant and equipment.

Commitments in relation to finance are payable as follows:

Within one year	**97**	97
Later than one year but not later than five years	**146**	45
Minimum payments	**243**	142
Future finance charges	**(12)**	(3)
Recognised as a liability	**231**	139
Representing:		
Finance liabilities		
- Current (note 14)	**93**	95
- Non-current (note 17)	**138**	44
	231	139

25. SEGMENT INFORMATION

(a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the goods or services provided and the country of origin. Discrete financial information about each of these operating businesses is reported to the Board of Directors on a monthly basis. During the year ended 30 June 2018 three reportable segments existed, namely Australasia, the United Kingdom and in the United States of America.

25. SEGMENT INFORMATION (CONTINUED)

The following tables present revenue, profit, total asset and total liability information for the years ended 30 June 2018 and 30 June 2017.

(b) Segment information provided to the Board of Directors

2018	Australasia $'000	UK $'000	US $'000	Elimination $'000	Total continuing operations $'000
Total segment revenue	**105,586**	**18,337**	**32,697**	**(1,454)**	**155,166**
Inter-segment revenue	**(1,230)**	**(17)**	**(207)**	**1,454**	**-**
Revenue from external customers	**104,356**	**18,320**	**32,490**	**-**	**155,166**
Segment result	**13,175**	**828**	**6,266**	**-**	**20,269**
Interest revenue	**544**	**-**	**-**	**(472)**	**72**
Interest expense	**(297)**	**(13)**	**(501)**	**472**	**(339)**
Depreciation and amortisation	**(1,851)**	**(332)**	**(627)**	**-**	**(2,810)**
Income tax expense	**(3,404)**	**(142)**	**(2,139)**	**-**	**(5,685)**
Total segment assets	**74,897**	**9,878**	**22,629**	**(11,827)**	**95,577**
Total segment liabilities	**27,929**	**3,626**	**13,043**	**(9,452)**	**35,146**
Total segment non-current asset additions	**2,157**	**1,530**	**1,205**	**-**	**4,892**

2017	Australasia $'000	UK $'000	US $'000	Elimination $'000	Total continuing operations $'000
Total segment revenue	100,736	18,208	27,458	(1,228)	145,174
Inter-segment revenue	(1,187)	(41)	-	1,228	-
Revenue from external customers	99,549	18,167	27,458	-	145,174
Segment result	12,345	1,323	4,829	-	18,497
Interest revenue	693	-	-	(611)	82
Interest expense	(71)	(15)	(672)	611	(147)
Depreciation and amortisation	(1,859)	(311)	(594)	-	(2,764)
Income tax expense	(3,160)	(183)	(1,930)	-	(5,273)
Total segment assets	71,823	9,105	19,391	(13,212)	87,107
Total segment liabilities	14,571	3,592	13,631	(10,649)	21,145
Total segment non-current asset additions	1,312	224	495	-	2,031

(c) Other segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 and Accounting Standard AASB 8 *Operating Segments*.

25. SEGMENT INFORMATION (CONTINUED)

(ii) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with the consolidated income statement.

(iii) Segment result reconciliation to profit after tax from continuing operations

	2018 $'000	2017 $'000
Segment result	**20,269**	18,497
Interest revenue	**72**	82
Interest expense	**(339)**	(147)
Corporate charges	**(2,593)**	(2,532)
Income tax expense	**(5,685)**	(5,273)
Profit after tax from continuing operations	**11,724**	10,627

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The directors of Wellcom Group Limited during the financial year were:

- Wayne Sidwell (Chairman)
- Charles Anzarut (Non-executive Director)
- Kerry Smith (Non-executive Director)
- Janette Kendall (Non-executive Director)

(b) Other key management personnel

The other key management personnel of Wellcom Group Limited during the financial year were:

- Andrew Sidwell (Chief Executive Officer of Australia & New Zealand) *(Appointed 1 March 2017)*
- Andrew Lumsden (Company Secretary, Chief Financial Officer, Global Chief Operating Officer)
- Michael Bettridge (Managing Director – Asia)
- Steve Rees (Chief Executive Officer of Australia & New Zealand) *(Resigned 1 March 2017)*
- Duncan Stokes (Managing Director – UK) *(Appointed 1 March 2017)*
- David Bridges (Managing Director – US)

The Group has entered into employment contracts with all key management personnel of the Company and its subsidiaries. Key management personnel are given the opportunity to receive their fixed remuneration in a variety of forms, including cash, superannuation contributions and non-monetary benefits such as motor vehicles.

(c) Key management personnel compensation

The aggregate compensation made to key management personnel is set out below:

	2018 $	2017 $
Short-term employee benefits	**2,930,092**	2,693,249
Post-employment benefits	**178,030**	188,024
Long-term benefits	**172,374**	56,092
	3,280,496	2,937,365

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Other transactions with directors

The profit from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with directors or their related entities.

	2018 $	2017 $
Total recognised as revenue	**-**	102,859
Total recognised as expenses	**1,039,217**	2,133,203

Aggregate amounts of assets and liabilities at the end of the reporting period relating to the above types of other transactions with directors of their personally related entities:

Current liabilities	**1,214**	39,475

27. RELATED PARTY DISCLOSURES

(a) Equity interest in related parties

Equity interests in subsidiaries:

Interests in subsidiaries are set out in note 28.

Equity interests in other related parties:

The Company does not hold share capital of any other entity other than those outlined above.

(b) Key management personnel remuneration

Disclosures relating to key management personnel are set out in note 26 and the remuneration report.

(c) Transactions with other related parties

The following transactions occurred with other related parties other than those disclosed in note 26 and the remuneration report:

	2018 $	2017 $
Third party superannuation contributions		
Contributions to superannuation funds on behalf of employees	**3,755,257**	3,633,645

(d) Outstanding balances arising from sales/purchases of goods and services to other related parties

There were no balances outstanding at the reporting date in relation to transactions with other related parties. No expense has been recognised in respect of bad or doubtful debts due from related parties during the year.

(e) Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to other shareholders.

28. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2018	2017
Wellcom Moving Images Pty Ltd *	Australia	Ordinary	**100%**	100%
Wellcom London Ltd	United Kingdom	Ordinary	**100%**	100%
Wellcom Group Pte Ltd	Singapore	Ordinary	**100%**	100%
Wellmalaysia Sdn Bhd	Malaysia	Ordinary	**100%**	100%
iPrint Corporate Pty Ltd *	Australia	Ordinary	**100%**	100%
Wellcom Group Inc	United States of America	Ordinary	**100%**	100%
theLab LLC	United States of America	Ordinary	**100%**	100%
Dippin' Sauce LLC	United States of America	Ordinary	**100%**	100%
Wellcom Group Ltd	Hong Kong	Ordinary	**100%**	100%

* Both Wellcom Moving Images Pty Ltd and iPrint Corporate Pty Ltd, dormant entities, were de-registered on the 26 June 2018.

There is no significant restrictions over the corporations ability to access assets and settle liabilities of the subsidiaries.

29. FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Obligation for contingent consideration arising from a business combination.

The Group does not subsequently measure any other liabilities or asset at fair value on a non-recurring basis.

Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1 - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

29. FAIR VALUE MEASUREMENTS (CONTINUED)

Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The only liability item measured and recognised on a recurring basis after initial recognition and its categorisation within the fair value hierarchy is the contingent purchase consideration, which was categorised as a Level 3 liability.

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Contingent purchase consideration liability	**-**	72

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2017: no transfers).

Reconciliation of Recurring Level 3 Fair Value Measurements

Contingent Consideration	**2018 $'000**	2017 $'000
Balance at the beginning of the year	**72**	357
Additions during the year	**-**	-
(Gains)/losses recognised in profit or loss during the year	**(71)**	(230)
Settlements during the year	**-**	(50)
Foreign exchange	**(1)**	(5)
Balance at the end of the year	**-**	72

Valuation Process

The Group calculates the fair value of the contingent consideration liability on a biannual basis in light of any revised budgeted profit or loss figures of the acquired business.

There were no significant interrelationships between the unobservable inputs that could materially affect the fair value of the contingent consideration.

There has been no change in the valuation techniques used to measure the fair value of the contingent liabilities since acquisition.

30. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2018 $'000	2017 $'000
Statement of Financial Position		
Current Assets	**23,671**	19,536
Total Assets	**75,907**	72,778
Current Liabilities	**17,036**	13,712
Total Liabilities	**27,907**	14,510
Shareholders Equity		
Issued Capital	**38,355**	38,355
Retained Earnings	**9,646**	19,913
	48,001	58,268
Profit for the year	**8,192**	7,638
Total comprehensive income	**8,192**	7,638

(b) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2018, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

(c) Contingent liabilities

The parent entity did not have any contingent liabilities as at the 30 June 2018 or 30 June 2017.

(d) Guarantees entered into by the parent entity

The parent entity has provided a financial guarantee in respect of office rental payments payable by Wellcom London Ltd. No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee, as the fair value of the guarantee is immaterial.

(e) Financial support

The parent entity has provided letters of support for three subsidiaries confirming its intention to continue to provide financial and other support as necessary to enable the subsidiaries to continue to trade and meet their liabilities.

31. SUBSEQUENT EVENTS

In the interval between the end of the reporting period and the date of this report the following events or transactions have occurred or been completed which, in the opinion of the directors, are likely to affect significantly either the operations of the Group, the results of those operations or the state of affairs of the Group in future financial periods.

Dividends

On 21 August 2018, the Company declared a final dividend of 11 cents per ordinary share, payable from profits for the year ended 30 June 2018. The total final dividend proposed is $4,310,900 and will be franked to 100%. The record date for determining entitlements to the dividend is 31 August 2018 and the payment date is the 14 September 2018.

32. ADDITIONAL COMPANY INFORMATION

Wellcom Group Limited is a listed public company, incorporated and operating in Australia.

Registered office
870 Lorimer Street
Port Melbourne Victoria 3207

Principal place of business
870 Lorimer Street
Port Melbourne Victoria 3207

Share registry
Link Market Services Limited
Tower 4
727 Collins Street
Melbourne Victoria 3008

Auditors
HLB Mann Judd
Level 9
575 Bourke Street
Melbourne Victoria 3000

Solicitors
Anzarut & Partners
Level 13
41 Exhibition Street
Melbourne Victoria 3000

Bankers
Australia and New Zealand Banking Group Limited
Level 30
100 Queen Street
Melbourne Victoria 3000

National Australia Bank
Ground Level
500 Bourke Street
Melbourne Victoria 3000

Stock exchange listings
Shares are listed on the Australian Securities Exchange and trade under the code WLL.

The shareholder information set out below was applicable as at 30 August 2018.

a) Distribution of equity securities

39,190,001 fully paid ordinary shares are held by 1,244 shareholders.

All issued ordinary shares carry one vote per share and carry the rights to dividends.

The number of shareholders, by size of holding of fully paid ordinary shares are:

1 – 1,000	377
1,001 – 5,000	465
5,001 – 10,000	195
10,001 – 100,000	185
100,001 and over	22
Total shareholders	**1,244**

There were forty-three (43) holders of less than a marketable parcel of ordinary shares.

b) Substantial shareholders

	Fully paid ordinary shares	
	Number	Percentage (%)
Well.com Pty Ltd	17,950,578	45.80%
	17,950,578	**45.80%**

c) Twenty largest holders of quoted securities

	Fully paid ordinary shares	
	Number	Percentage (%)
Well.com Pty Ltd	17,950,578	45.80%
Citicorp Nominees Pty Ltd	2,046,908	5.22%
National Nominees Limited	1,795,849	4.58%
HSBC Custody Nominees (Australia) Limited	1,382,964	3.53%
JP Morgan Nominees Australia Limited	1,375,841	3.51%
Mirrabooka Investments Limited	1,349,651	3.44%
Amcil Limited	1,018,011	2.60%
BNP Paribas Noms (NZ) Ltd	793,790	2.03%
Moggs Creek Pty Ltd	545,705	1.39%
Sandhurst Trustees Ltd	510,966	1.30%
Lawn Views Pty Ltd	431,690	1.10%
Djerriwarrh Investments Limited	400,000	1.02%
Mr Wayne William Sidwell	362,300	0.92%
Kidder Peabody Pty Ltd	259,325	0.66%
Mrs Melinda Karen Tickel	200,000	0.51%
J & P Chick Pty Limited	199,000	0.51%
Mr Keith William Kerridge	150,000	0.38%
Dr Gordon Shinewell & Mrs Fay Shinewell	150,000	0.38%
Almargem Pty Ltd	128,000	0.33%
Mr Ian Harold Holland	115,200	0.29%
	31,165,778	**79.52%**

2018 **WELLCOM GROUP LIMITED** ANNUAL REPORT CREDITS

DESIGN & ARTWORK	WELLCOM WORLDWIDE
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PRINTING	DIGITAL HOUSE
COVER STOCK	SOVEREIGN SILK SG 350GSM*
FRONT SECTION STOCK	KNIGHT DIGITAL SMOOTH 120 GSM*
FINANCIAL SECTION STOCK	ECOSTAR 100GSM*

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