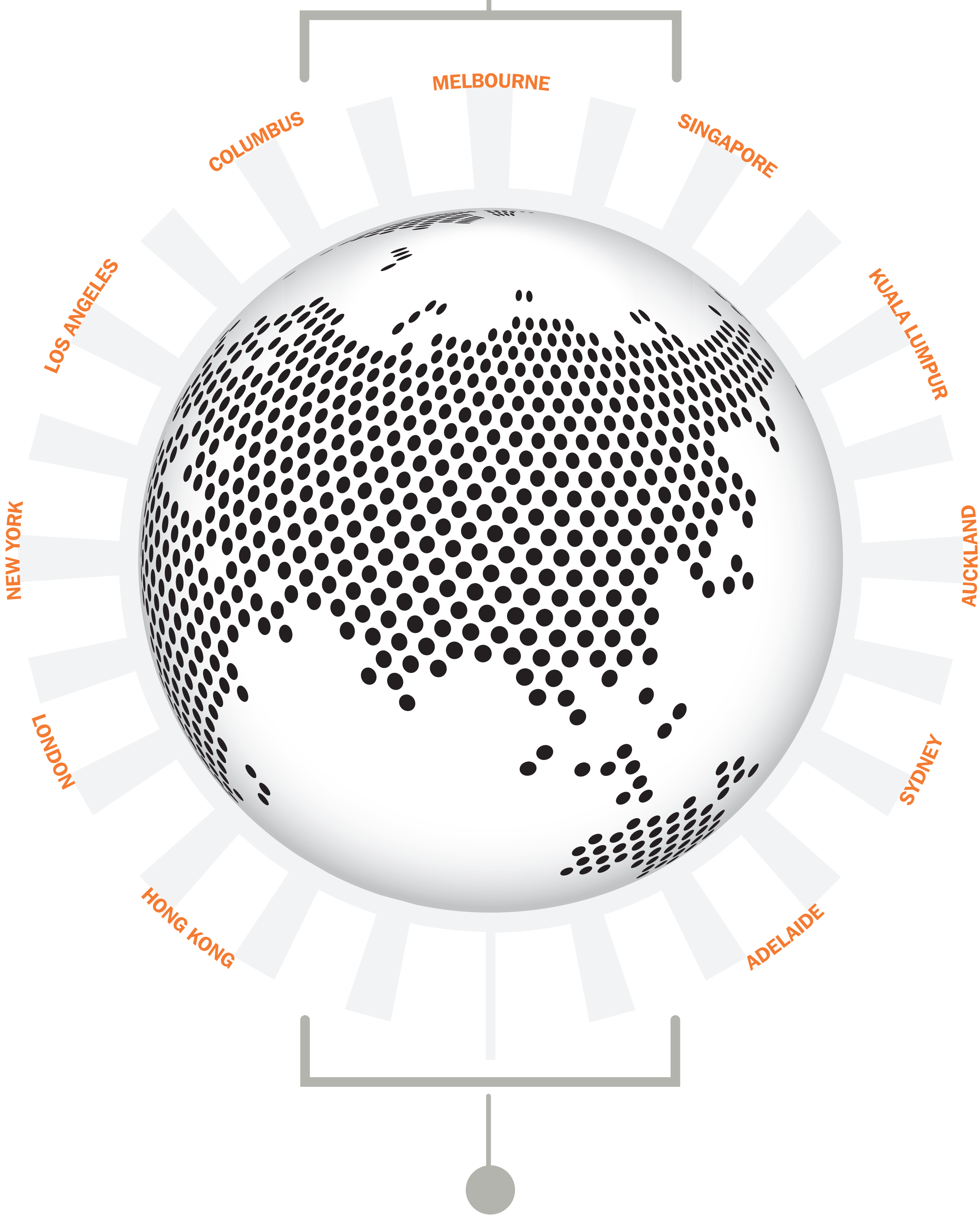
WELLCOM GROUP LIMITED

2016 ANNUAL REPORT

CREATIVE • PRODUCTION • COMMUNICATIONS • TECHNOLOGY



SET THE STANDARDS OF EXCELLENCE.
NO COMPROMISES.
SENSE OF URGENCY
ATTENTION TO DETAIL.
TAKE THE TIME, DRIVE HARD,
GET THE FACTS.
HAVE SOME FUN.

WELLCOM GROUP LIMITED

2016 ANNUAL REPORT

ACN 114 312 542

CONTENTS

WELLCOM BOARD OF DIRECTORS

CHARLES ANZARUT

NON EXECUTIVE DIRECTOR

Expertise in Legal and Corporate Governance

JANETTE KENDALL

NON EXECUTIVE DIRECTOR

Expertise In Asian Marketing, Digital and Communications

The Wellcom Group is proud to welcome Janette Kendall to the Board. Janette is an experienced Non Executive Director, a Fellow of the AICD and holds a Bachelor of Business (Marketing). Janette's extensive executive career has spanned corporate operations, including marketing and digital, in Australia and Asia.

KERRY SMITH

NON EXECUTIVE DIRECTOR

Expertise In Financial,
Audit and Corporate
Governance

WAYNE SIDWELL

EXECUTIVE CHAIRMAN

Expertise in Graphic Arts and Advertising, Private and Public Business Management

EXECUTIVE CHAIRMAN's REPORT

Dear Fellow Shareholder,
Firstly, I am delighted to introduce our latest member of the Board with the addition of Ms Janette Kendall in a Non Executive Director capacity. Janette has a strong background in marketing and her digital expertise will be invaluable. Janette also has a strong understanding and knowledge of the Asian business sector, having worked in the region.

Following on from last year's result, 2016 has been another solid performance for the Wellcom Group. We have developed and tailored our service offering to meet the challenges of ever changing trends in the media landscape, and as a result, we remain leaders in our industry. We maintain a proactive approach in being able to adapt to our clients' requirements for creative content, as well as developing market leading technologies.

The good result this year further exemplifies our decision five years ago to formally change our focus from production based services to content creation and design. This has been our most significant growth area, and we are continually expanding our services in the digital space. What is further heartening, is the fact that it is shared across Wellcom's worldwide network.

Content creation, whilst growing significantly for the Group, positions us into the competitive world market. Our competitive advantage in this market is what we can do with creative content through our suite of Knowledgewell technologies. The combination of this proprietary software and rich content is a compelling solution for our clients, and remains our biggest point of difference.

Knowledgewell has been developed on a strong technology platform that has revolutionised the industry. Our technology offers the very "best of breed" for any corporation or retailer wanting to streamline their marketing process and reduce their production costs. 2016 has seen Knowledgewell reach new heights with the release of Canopy, Approval 3, Altitude and Buildwell. Our development is now concentrated around analytics to support our clients in their decision-making processes.

Our growth of around 18% EBIT, on prior year 2015-16, was very satisfying and we saw excellent results across all businesses.

WE CREATE CONTENT THAT ENGAGES, INFORMS, PERSUADES AND ENTERTAINS.

OUR TECHNOLOGY TRANSFORMED THE GRAPHIC ARTS INDUSTRY.

WE FOCUS ON DIGITAL CREATIVE CONTENT SOLUTIONS.

"For the first time, our global presence is being used by clients who now deal with us in multiple countries".

I was extremely pleased with the turn-around of the London business, which has now completed its two year re-structure, and as a result, has performed very well.

We have had a successful year with new business wins and organic growth from existing clients including Telstra (Aust) for retail point-of-sale, digital and social media, AHM (Aust), Michael Kors (US/UK), Tesco (UK), Pernod Ricard (US), Luxottica (US) and BASF (Aust).

The Board continued to examine potential acquisitions in Asia and the US, but as synergy and return on investment remain the prime considerations, no acquisitions were finalised.

The acquisition of 'dippin' sauce' in the US is being expanded across the Atlantic. This also offers further opportunities for Australia and Asia.

Part of a more general industry change in Australia is the decline of the printed catalogue. Through our diversified media offering, we are monitoring the changing trend and, where required, placing more resources into creative content for video, TVC and digital. This will meet client demand for content destined for social media channels such as Facebook and YouTube. We continue to create rich content through photography, video, TVC and digital channels. I believe that the printed retail catalogue will continue to reduce in terms of volumes and page sizes, however the catalogue will still play a part in the media mix. We are fortunate at Wellcom, that the changing nature of the media landscape does not directly impact us, as content is required, regardless of media type.

I'm very pleased to announce the maturation of our 'Centre of Excellence' in Kuala Lumpur with work produced for all businesses across the Wellcom Group. The 'Centre of Excellence' product mix now includes highly skilled digital services. This production facility has been and remains, vital for the Group and our clients.

Looking ahead we could face unsettled times including Australia's debt situation; the Brexit fallout; the unknowns from the pending US election; and a gradual slow-down in China. Regardless of any possible outcome, the Wellcom Group's resilience has been proven globally. The business implemented well planned strategies to head off the GFC, restructured the London office to meet the UK financial crisis, and did the same during the Australian downturn and the US recession.

We have provided our continued and strong fully franked dividend to shareholders, and I wish to thank our dedicated staff and loyal clients for their support to make the 2015-16 year another very satisfactory result.

I said last year we were well placed to achieve a strong performance in 2016 and this has been realised. Our planning and strategies from 2015 to 2016 were all enacted and successfully completed.

I remain confident that our planning for the future with on-going Knowledgewell development, our continued global expansion, more blue-chip global business wins, as well as developing our TVC and digital businesses, will offer continued growth for Wellcom Worldwide.

Yours faithfully,

Wayne Sidwell

EXECUTIVE CHAIRMAN

WE ARE PLEASED TO ANNOUNCE ANOTHER SUCCESSFUL YEAR.

CEO's REPORT

Part of the 2015 strategic plan saw staff multi-skilling as a pre-requisite to meet the new business demands in 2016 and beyond.

Dear Shareholders,
Like most Aussies I stayed up late passionately cheering on our athletes during the recent Rio Olympics. My loss of sleep over those two weeks was nothing when you compare it to the preparation, investment and personal sacrifices that these elite athletes had made to achieve their goals.

I marvelled at our athletes' dedication, focus and self-belief; and the Olympic games remain one of the best examples of where commitment, planning and hard work does pay off.

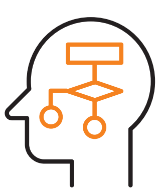
Business success or failure can be attributed to these very same principals. FY16 has been a great a year. A 'PB' in athletic terms, however the year hadn't been without its challenges.

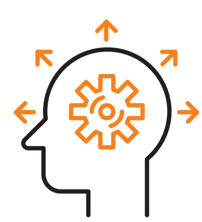
We were *out of the blocks fast* with all divisions delivering to budget for the first half. But we were then slowed down by the collapse of Dick Smith Electronics (DSE).

A long standing iconic brand that many thought was too big to fail, it took us and many others by surprise.

Wellcom's exposure, whilst relatively small in comparison to others, had an impact on earnings.

Importantly, the DSE experience underscored the significance of Wellcom's operational governance, strong debtor management, and our constant drive to attract new sources of growth.





It's especially pleasing to see growth in technology, video and digital services. We have come a long way and can confidently take our clients into any form of social and traditional media.

As our full FY16 financial results demonstrate, we have successfully won some major blue-chip accounts.

Particularly pleasing is that a large proportion of this new activity is centred around our growth areas of technology, video production, digital and social communications.

Our investment in staff development and multi-skilling in FY15 has enabled us to overlay a major portion of our new business wins across existing production teams.

The net result is that this forward planning and a commitment to ongoing staff development has continued to protect our margins.

In addition to securing significant new business, we also achieved organic growth from existing major customers, with the introduction of additional creative services across the majority of our hubs.

As we do each May, our management team meets to establish new goals and strategies to achieve business outcomes that collectively all global offices aspire to. Key FY17 areas of focus for our Wellcom senior management team were clearly defined and included:

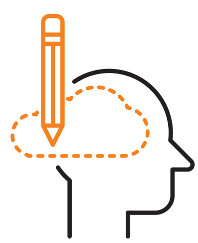
- **Leverage expansion opportunities through acquisition and strategic alliances.**
- **Continue to expand our services in creative, digital, video and TVC production.**
- **Fast-track our Knowledgewell technology to provide users with enhanced experience across all mobile platforms.**
- **Upscale production competencies including digital at our Wellcom Kuala Lumpur 'Centre of Excellence'.**
- **Actively promote our content creation and technology products and services to create a pipeline of new business opportunities.**
- **Develop our talented staff to support our growth strategies while ensuring a client-centric culture of service at all levels.**

We will implement these goals and continue to put our energy and hard work into operational excellence, process efficiency, cost reduction and profitable sales growth.

To our shareholders, thank you for your continued support. Importantly, thank you also to our loyal and supportive clients and to our dedicated staff.

Yours faithfully,

Steve Rees
CHIEF EXECUTIVE OFFICER
Australia and New Zealand



STRONG ORGANIC GROWTH COUPLED WITH SOLID NEW BUSINESS.

WELLCOM HIGHLIGHTS SNAPSHOT

STATUTORY REVENUES FROM CONTINUING OPERATIONS INCREASED TO $156.24 MILLION, UP 35% YEAR ON YEAR.

NET REVENUES (EXCLUDING PRINT MANAGEMENT COSTS) INCREASED TO $103.38 MILLION, UP 20% YEAR ON YEAR

FULL SERVICE HUBS (CLIENT DEDICATED IN-HOUSE PRODUCTS AND SERVICES) AGAIN GENERATED MORE THAN 70% OF GLOBAL REVENUES.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION INCREASED TO $19.08 MILLION, UP 19% YEAR ON YEAR.

EARNINGS BEFORE INTEREST AND TAX INCREASED TO $16.44 MILLION, UP 18% YEAR ON YEAR.

NET PROFIT AFTER TAX FROM CONTINUING OPERATIONS INCREASED TO $11.10 MILLION, UP 14% YEAR ON YEAR.

STRONG CASH FLOWS FROM OPERATING ACTIVITIES YIELDING $13.59 MILLION.

NET ASSETS INCREASED $2.06 MILLION TO $65.43 MILLION.

FULLY FRANKED FULL YEAR DIVIDEND INCREASED TO 22.5 CENTS, UP 10% YEAR ON YEAR.

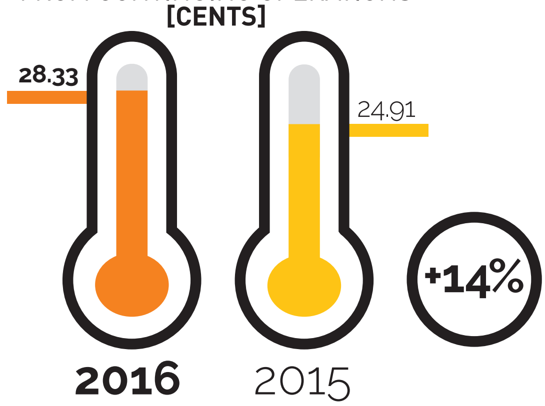
CASH EQUIVALENTS IN EXCESS OF INTEREST BEARING LIABILITIES OF $7.51M.

WELLCOM LONDON BUSINESS PLAN FULLY IMPLEMENTED WITH SIGNIFICANT FINANCIAL TURNAROUND.

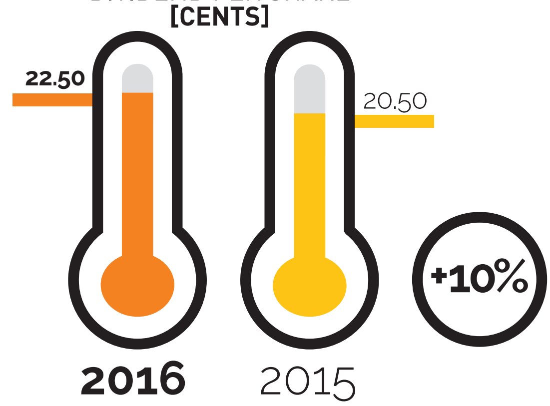
WELLCOM 'CENTRE OF EXCELLENCE' IN KUALA LUMPUR MAINTAINING MARGIN FOR ALL WELLCOM GLOBAL BUSINESSES.

EARNINGS

EARNINGS PER SHARE [EPS] FROM CONTINUING OPERATIONS
[CENTS]



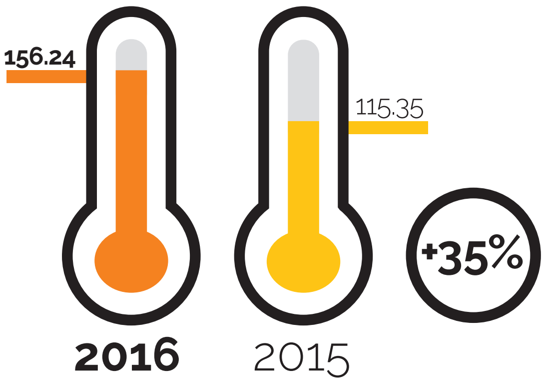
DIVIDEND PER SHARE
[CENTS]



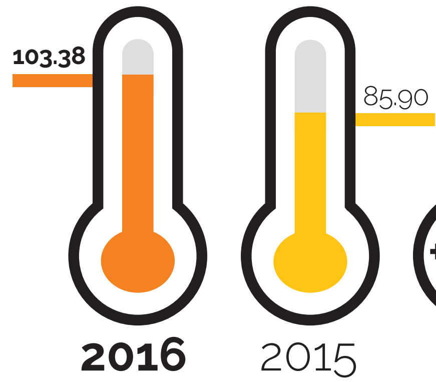
WELLCOM FINANCIAL DASHBOARD

FROM CONTINUING OPERATIONS

STATUTORY REVENUE
[$M]

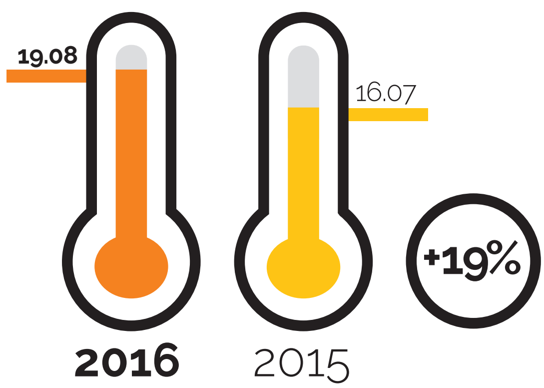


NET REVENUE*
[$M]

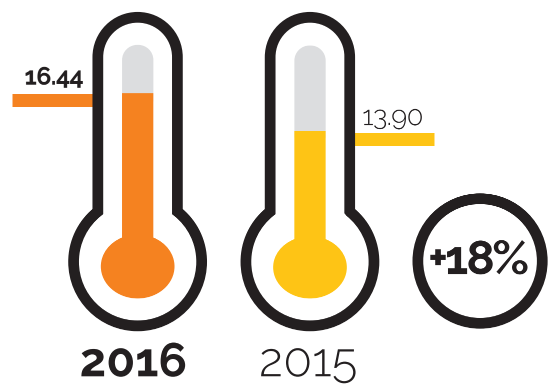


*Excludes print management pass through costs.

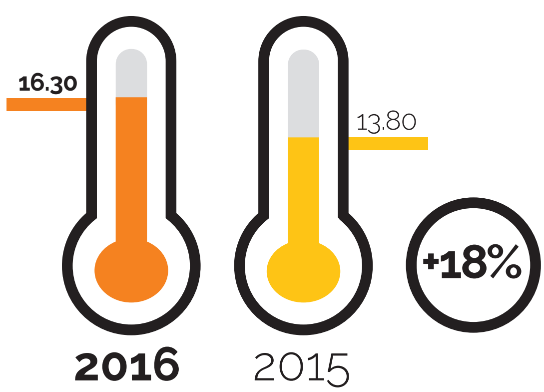
EBITDA
[$M]



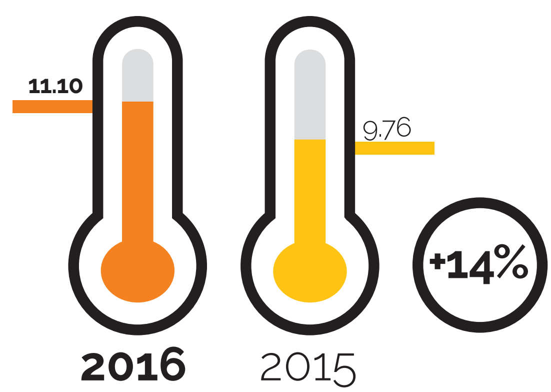
EBIT
[$M]



NET PROFIT BEFORE TAX
[$M]

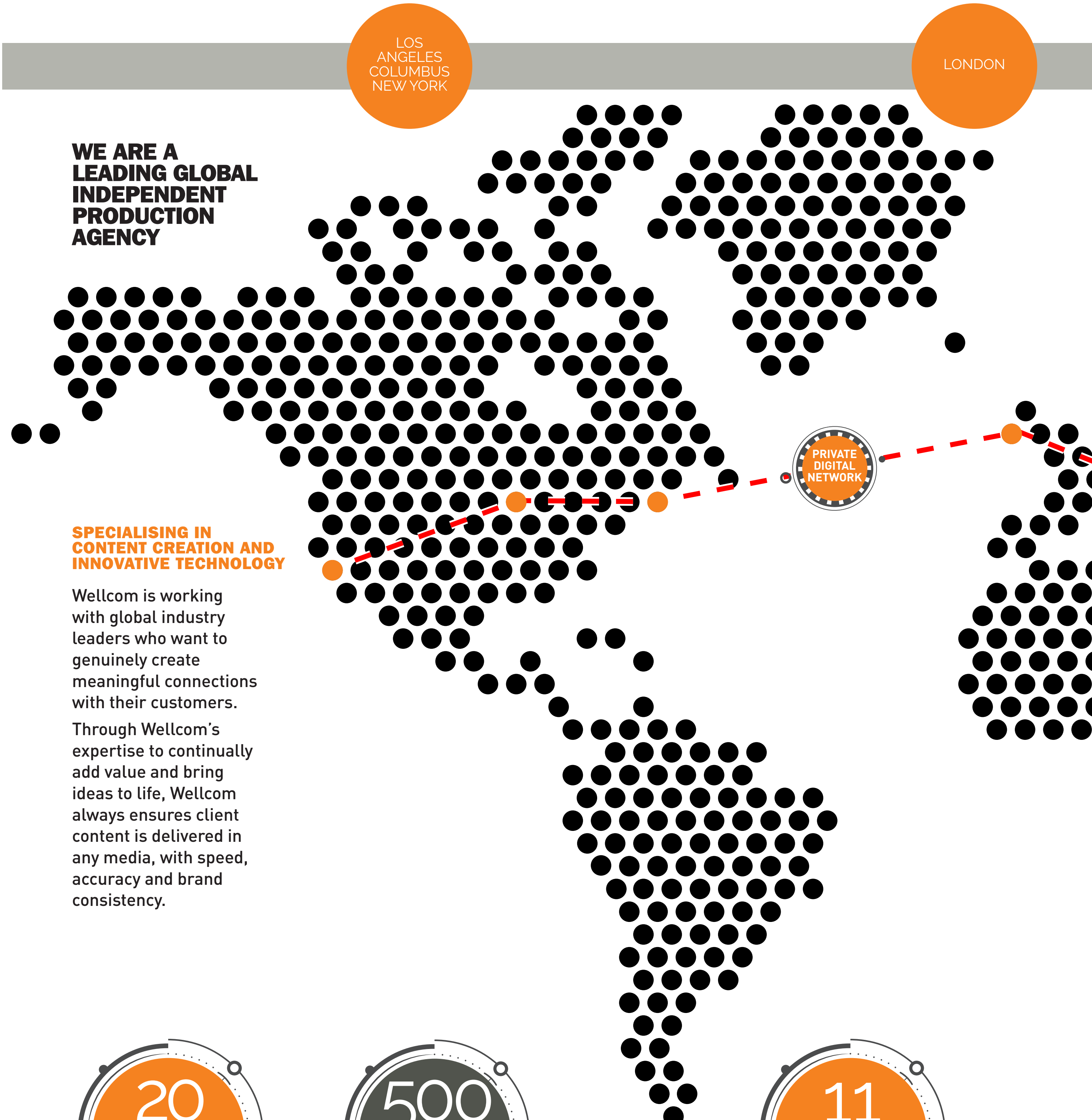


NET PROFIT AFTER TAX
[$M]



WELLCOM GLOBAL REACH

WE ARE A LEADING GLOBAL INDEPENDENT PRODUCTION AGENCY



SPECIALISING IN CONTENT CREATION AND INNOVATIVE TECHNOLOGY

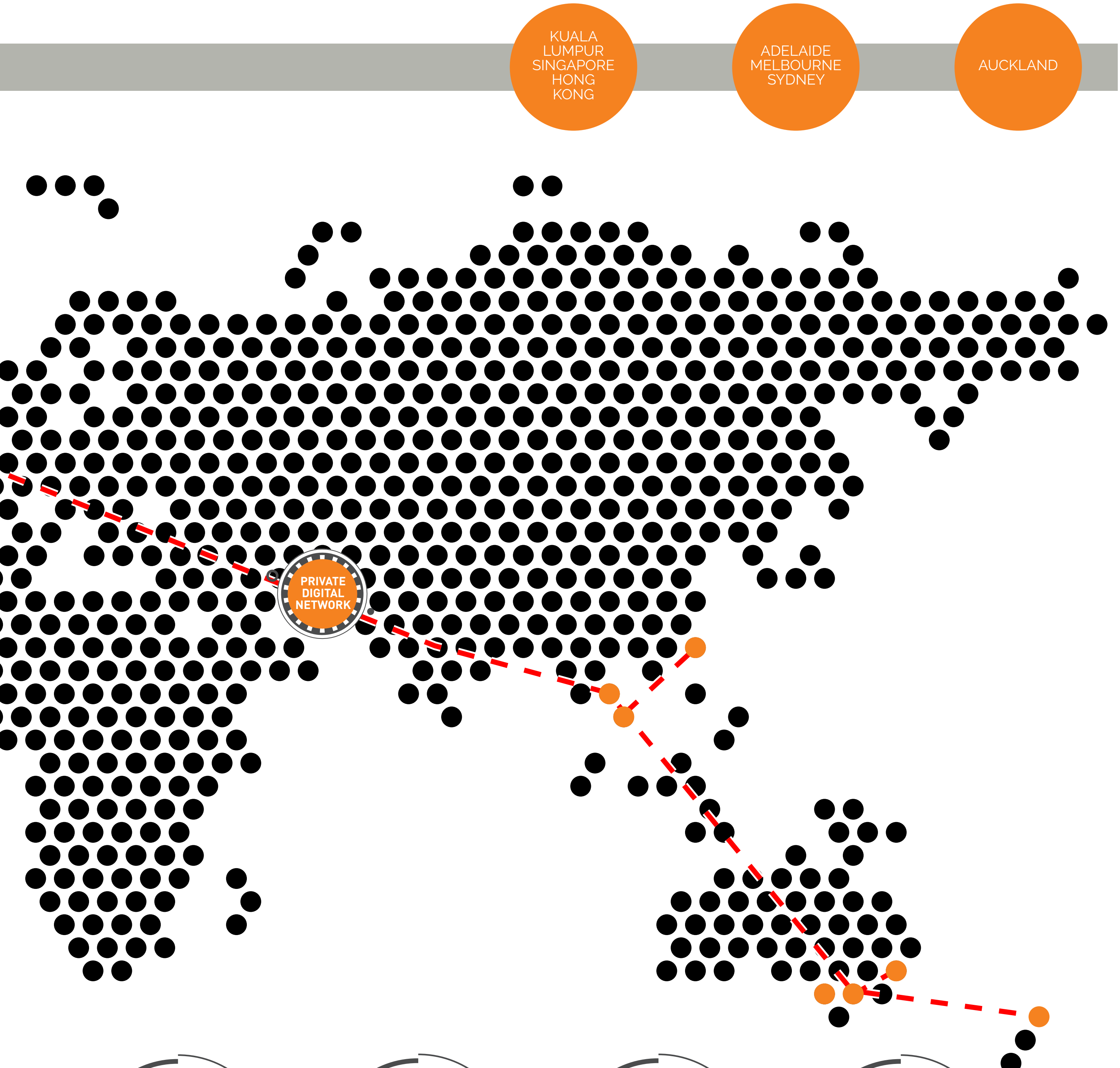
Wellcom is working with global industry leaders who want to genuinely create meaningful connections with their customers.

Through Wellcom's expertise to continually add value and bring ideas to life, Wellcom always ensures client content is delivered in any media, with speed, accuracy and brand consistency.

20 MILLION DIGITAL ASSETS UNDER MANAGEMENT

500 INDUSTRY BEST PEOPLE

11 GLOBAL LOCATIONS



60
BUSINESS HUBS

50+
PRODUCTS & SERVICES

8
WORLD LEADING TECHNOLOGIES

REVENUE OF
$150
MILLION

WELLCOM 2015-16 GLOBAL REVIEW

Wellcom is a leading global independent production agency specialising in content creation and innovative technology. Having recently passed its tenth anniversary as a publicly listed company in 2015, the business has shown perseverance, and adaptability to change. All of these attributes have kept Wellcom ahead of the curve in terms of business modelling and technology. And in spite of economic activity remaining subdued with global consumer spending moderate, the Group has performed well.

DIGITAL IS THE GROUP'S FASTEST GROWING SERVICE OFFERING.

REVIEW SUMMARY:

- De-coupling client marketing and advertising services set a positive growth trend.
- Digital remained the fastest growing marketing channel and the 'Centre of Excellence' in Kuala Lumpur was upgraded to offer full digital services capability.
- Global Brand Management has been endorsed as stand-alone service.
- Robotic digital photography launched for online and print image capture.
- Strong new business wins.
- Continued development of all Wellcom software modules presented as a total marketing solution.
- Wellcom London turnaround.
- Significant digital and video growth out of the US.
- Good organic growth from existing clients.
- Appointment of Janette Kendall as Non Executive Director.

WELLCOM AUSTRALASIA

The Australasian region has seen excellent organic growth from existing clients opting for additional Wellcom services. This has been a significant trend based on trust in the Wellcom brand, especially in the area of client business de-coupling. The growth has come from clients

STRONG ORGANIC GROWTH IN AUSTRALIAN MARKET.

UK DIGITAL GROWTH ASSISTED BY ADDICTIVE PIXEL ACQUISITION

The result of the two year business re-engineering action plan has seen a strong turnaround at Wellcom London.

shifting their marketing segmentation from a single source agency to multi-source advertising agency suppliers. Wellcom has become a significant player in this move, and it's reflected in organic growth from clients such as Stockland, Freedom, Telstra, Snooze, and Merck Sharp & Dohme (MSD).

Some negative impact was experienced with the loss of Dick Smith and Westpac. It is unfortunate to lose blue chip clients such as Dick Smith, especially in circumstances that were outside of Wellcom's immediate control. However, the organic growth combined with new business exceeded the shortfall.

Robotic flat-lay and stand-up photography with video, have been very successful deployments in servicing the retail sector.

WELLCOM UK

After an exhaustive two year re-engineering implementation plan, including major senior management and sales force changes, strong results have been achieved. Due to the hard work and commitment of the Wellcom London staff, the operation has successfully added a line of blue chip retail and corporate new business.

The London operation also launched global brand management with clients including BASF, Canon and Patek Philippe.

The acquisition of specialist digital business Addictive Pixel significantly added to Wellcom London's digital expertise, and represented a major part of the service offering for the Tesco account (working in partnership with advertising agency BBH).

The impact of digital has been very positive with work coming from Tesco, Virgin Media, British Airways, KFC, Audi and Barclays.

Knowledgewell has been fully implemented into the London operation.

Group in-sourcing has maintained margins with work sent to the 'Centre of Excellence' in Kuala Lumpur. Capital investment in plant and equipment has been made and this modernisation will place the business in good stead for future growth.

WELLCOM USA ('thelab')

The US business improved further and has heavily expanded into digital and video with fine work also coming out of the Group's other New York acquisition, 'dippin' sauce'. While being fully integrated into the business, 'dippin' sauce' will still keep its identity and brand, as it enjoys a highly creative reputation as a world leading content creation studio.

Much of the newer business gains have seen a more integrated approach to cross-media where the US business finds itself creating and producing campaigns across print and video, or print and digital.

Wellcom USA won prestigious brands Pernod Ricard, Luxottica and Michael Kors. The Kors success was also repeated across the Atlantic at Wellcom London.

Planning was also undertaken for the expansion of the Columbus and Los Angeles offices, and digital acquisition opportunities also canvassed for Los Angeles.

WELLCOM ASIA

Strong emphasis had been continuously placed on the Asian market over the year. Informal discussions have been held with several Singaporean and Hong Kong businesses to investigate joint venture opportunities, or other similar partnership arrangements.

Wellcom's prime objective when dealing with acquisitions or mergers, is that the arrangement must be synergistic with current Wellcom products and services, and be self-sustaining.

The Hong Kong office has been opened with the intention to set up a local production hub to photograph and prepare merchandise capture for US, UK and Australasian retail clients.

WELLCOM 2015-16 GLOBAL REVIEW

VERY STRONG SHIFT TO VIDEO & DIGITAL FOR WELLCOM US.

This represents an opportunity to give all retail clients increased speed to market for their online and/or print catalogue assets.

The 'Centre of Excellence'

Now in its sixth year of operation, the business has improved year on year and the work now undertaken has increased in both volume and complexity.

With a staff of around 40 people, the 'Centre of Excellence' is growing steadily and now offers digital solutions to complement its traditional print based solutions. Wellcom briefs are now coming in from all parts of the Wellcom Worldwide network.

CAMPAIGN INTEGRATION OFFERED 'THELAB' STRONG GROWTH.

WELLCOM TECHNOLOGIES

Wellcom's mantra has been to manage, organise and optimise client content through its own proprietary enterprise software.

Since launching Knowledgewell in 2000, the Group has constantly realigned its DNA from a production support system to a total marketing management system. Wellcom has gone from local adaptation to a global business solution.

2015-16 was pivotal in getting the software mix for CMOs to a level that it covered off every single facet of the marketing process.

'CENTRE OF EXCELLENCE' INTRODUCES DIGITAL PRODUCTION.

The suite of tools talk to each other and at the same time provide financial input and real time reporting, with the added benefits of MRM (Marketing Resource Management).

Total print procurement is also available for those clients who wish to have their marketing requirements produced and managed with total transparency, accuracy and time management reporting.

WELLCOM HUBS

HUBS STILL THE BIGGEST GLOBAL REVENUE GENERATORS.

Wellcom invented 'the Hub'. The pitch virtually began with the expression 'your place or mine' or using the hub's business modelling, *why not let Wellcom place a studio in a client's premises.* This became the anthem for what is today better than 60 hubs located in client businesses around the world.

Call it 'out-source'—'in-house', hubs have become a convincing client marketing and production strategy, offering fulfillment in design, production management, digital and print management, as well as integrated marketing software integration.

Hubs remain the single biggest sales revenue generator for the Group.

WELLCOM CAPACITY

Wellcom has always been an organisation that specialises in producing large volumes of advertising production collateral based around speed, accuracy and consistency.

In 2016, Wellcom held 20 million digital assets under its Knowledgewell storage – and all produced globally for Wellcom clients.

WELLCOM BRAND MANAGEMENT

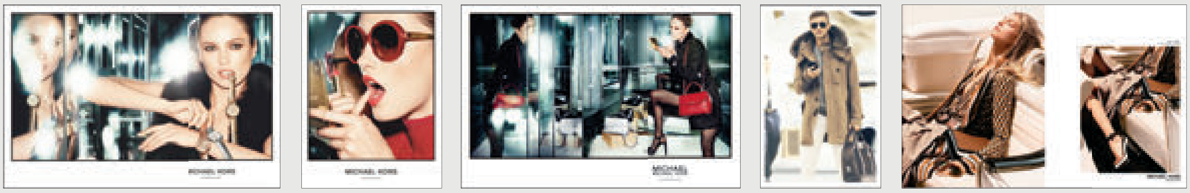
While the biggest growth areas remain digital and technology, the London office had been offering brand management across the Altantic for some years. 2015-16 saw the opportunity to convert it into a service that could be commercially launched on a global scale.

Brand Management is a central command point that houses clients' logos, advertising, marketing, corporate guidelines, manuals, presentations and anything else that requires corporate conformity. This allows their offices across the globe to access approved material in multilingual formats for media or other distribution. To demonstrate the scale of brand management, we have provided a portfolio of clients who entrust this work to Wellcom on the facing page.

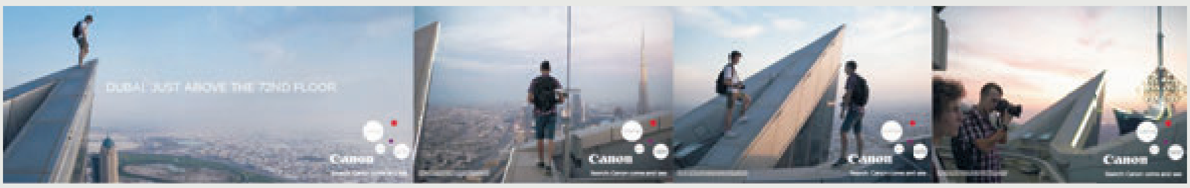
GLOBAL BRAND MANAGEMENT & DISTRIBUTION IS BECOMING A GROWTH OFFERING.

DKNY
Wellcom manages DKNY brand distribution to 37 countries.

Michael Kors
Wellcom manages Michael Kors brand distribution to 35 countries.



Canon
Wellcom manages Canon brand distribution to 11 countries.



Patek Philippe
Wellcom manages Patek Philippe brand distribution to 40 countries.

BASF
Wellcom manages BASF brand distribution to 18 countries.

De Beers
Wellcom manages De Beers brand distribution to 18 countries.

UK Trade & Investment
Wellcom manages UK Trade & Investment brand distribution to 14 countries.

Steinway & Sons
Wellcom manages Steinway & Sons brand distribution to the UK, China, Germany and the USA.

2017 KEY WELLCOM STRATEGIES

The 2017 Group key strategy represents a very well defined approach in terms of building on its strong global creative content platform. Wellcom can create an idea, place it into any form of media, then deliver it quickly to any part of the globe. This is a pivotal business direction and is fully aligned to current and future client expectations.

ASIA REMAINS A CORE STRATEGY FOR 2017.

Strategy Asia

Continue Asian expansion in Hong Kong and Singapore with the acquisition of content creation businesses with service offerings centred around photography and TVC creation and digital production.

Further expansion of the 'Centre of Excellence' in Kuala Lumpur with its current 40 personnel of designers and digital producers, will service the global demands from all Wellcom offices into 2017.

BOLSTER CONTENT VIDEO CAPACITY.

Strategy Creative Content

Continue to build capacity to develop digital and TVC-consumer based video divisions globally. Clients are demanding creative, fast turnaround and competitively priced video content for Facebook and YouTube feeds daily. Wellcom has TVC production across the network and this will continue to meet capacity.

Acquire a digital based agency in Los Angeles to open a new market to the full Wellcom list of products and services.

Expand leading Wellcom in-house brands 'dippin' sauce' in New York and Addictive Pixel into London, and other Wellcom offices.

Strategy New Business

Based on existing client blue chip brands such as GAP, DKNY, BASF and Canon, leverage additional new business on a similar scale and offering.

Further promote and push the advantages of 'de-coupling' production services to global corporations and thereby strengthening Wellcom's position as a leading global creative production agency.

Build strategic partnerships at the highest levels with large international communications companies. These are designed to cross-sell Wellcom technologies and services that will complement the partnership offering. It is important to note that the development for such strategic relationships has already begun. The Group remains confident that in 2016-17 there will be expansion for such initiatives.

WELLCOM'S SOFTWARE SOLUTIONS ARE WITHOUT PEER.

Strategy Technology

Knowledgewell has been successfully implemented into the UK and the strategy is upsell to existing clients and to develop new client deployments.

The US, while leading the Group in video and digital creative content, will begin a Knowledgewell push in 2017 identifying potential clients. A major sales push will be launched globally to promote Knowledgewell sales throughout the rest of the Group.

Wellcom will pursue potential Asian corporate partners for a Knowledgewell partnership distribution arrangement into the Asian market.

The Wellcom Knowledgewell technologies have matured, and been installed by many retail and corporate Wellcom clients. The total marketing and procurement solution is without peer globally, and with the completion of the latest developments, consists of the following software modules:

WITH CLIENTS BECOMING PUBLISHERS HUBS GROWTH LOOKS GOOD.

- **Canopy** (digital content management module)
- **Online Approval** (Approval Version 3)
- **Market Central** (Approval Local Area Marketing)
- **Buildwell** (Client managed page layouts and analytics)
- **Altitude** (Photographic Workflow Management)
- **One Market** (Online Print and Production Management)
- **MRM** (Marketing Resource Management)

Strategy Clients as Publishers

Harness the growing trend that finds many corporations in the UK planning to produce their own publishing collateral to promote and manage their brand.

ALLIANCES OFFER TREMENDOUS CROSS-SELL CAPABILITY.

This will mean more content being produced inside clients' businesses and opening the door to super Wellcom hubs. These hubs will offer creative services such as copywriting, design, digital, TVC/video, high end creative retouching, as well as marketing technology support. This is a very exciting concept that could identify significant hub growth.

And to further support this, Wellcom can supply a single pipeline from originating content creation, right through to digital and video production from any of its global production facilities.

Strategy Alliances

Develop new global alliances, partnerships, or relationships with clients whose international reach is similar to Wellcom's, but whose service offering can be extended and/or improved with Wellcom's mix of services and technologies.

Each new business alliance increases the Group's position and reputation globally and, more importantly, can be used as a fulcrum to win other alliances.

Strategy Marketing

The 2017 Marketing thrust will be based on the 'Ten Key Reasons' for doing business with the Wellcom Group. These are:

- Talented passionate and proactive professionals
- Best marketing and procurement technology system
- Expert cross-channel media content creators
- Qualified, fully accredited partner supply chain
- Full automation of manual tasking
- Production scalability through flexible resource management and enterprise size organisation
- Multi channel delivery offering
- Improved quality of outputs
- Speed to market
- Lower cost production automation through the 'Centre of Excellence' in Kuala Lumpur

WELLCOM NEW BUSINESS

2015 -16 saw the continued success of the client driven de-coupling trend that offered considerable new business in the form of organic growth. Wellcom's maturity and renewed product diversity in the marketplace has opened opportunities to increase client spend. On top of this, the Group has also reaped organic growth from existing clients extending the spend to other Wellcom global regions. This form of multi-regional cross-sell offers enormous potential for the Group with so many blue chip global clients.

AUSTRALASIA

AUST

Telstra

Telstra is Wellcom Australia's biggest account win for 2016. The business offering is for corporate graphic design, digital and a total production services solution.

Coles

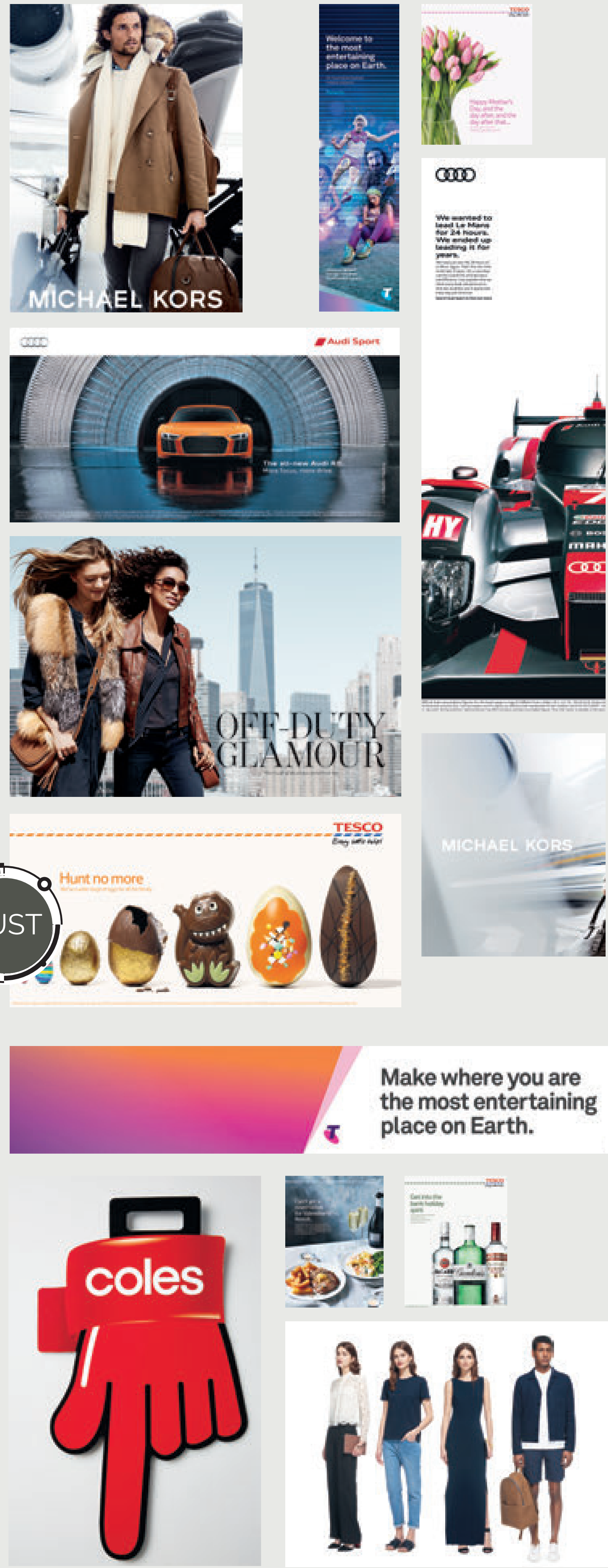
Coles has been an existing client in production services but has now increased its spend to give Wellcom the total management of its entire print procurement portfolio. This is a significant piece of business and shows the confidence clients vest with the Wellcom brand.

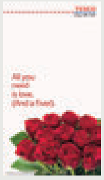
BASF

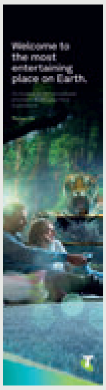
BASF is an existing client in the UK market. Having seen Wellcom's ability to handle its account locally, BASF has now extended their requirement to Australia by engaging Wellcom to perform its local graphic design services.

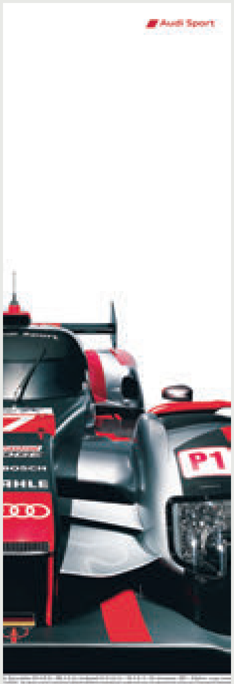
NBC Universal

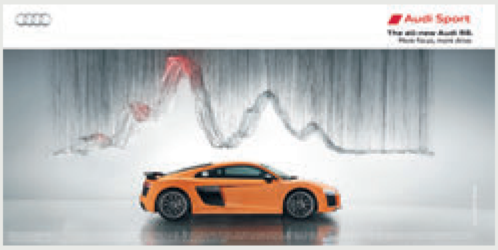
Communications media icon brands NBC and Universal are new clients with TVC creative content and production.

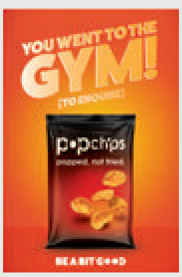


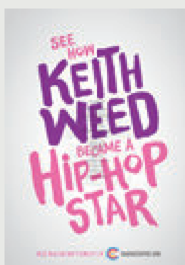


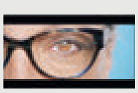


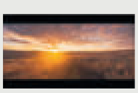


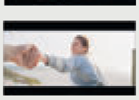


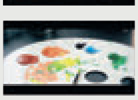


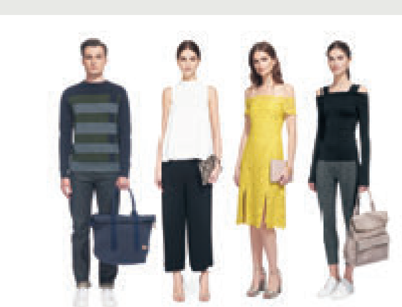












UK

UNITED KINGDOM

Michael Kors

High fashion brand Michael Kors was another big win for Wellcom London with business requirements for graphic design, high-end creative retouching and production services.

Lucky Generals

New client Lucky Generals is a 'creative company for people on a mission'. This London based creative 'hot-shop' has awarded Wellcom London to handle their graphic design studio facility.

Whistles

New client Whistles is a UK based clothing brand with over 46 stores across the United Kingdom. As well as its own outlets, Whistles is also supplier to leading retailers Harrods, John Lewis and Bloomingdales in New York. The requirement is for fashion photography services.

Tesco

Tesco is a Wellcom total hubs and production fulfillment solution. Based on this strong relationship, (in conjunction with Wellcom partner BBH), Wellcom London has won Tesco's digital business.

Audi

Through Wellcom's BBH relationship, the opportunity arose to work with the agency in winning the prestigious Audi graphic studio and design business.

US

UNITED STATES

Michael Kors

Wellcom New York ('thelab') picked up this prestigious brand to provide creative content and TVC production.

Luxottica

New Italian client Luxottica Group S.p.A., is the world's largest eyewear company. Luxottica designs, manufactures, distributes and retails its eyewear brands Oakley; Persol; Pearle Vision; Sunglass Hut International and LensCrafters. Wellcom New York will supply graphic design and digital production.

Pernod Ricard

Premium French brand Pernod Ricard is one of the world's leading wines and spirits producers. Wellcom New York has been successful in winning the company's web development and digital business.

2017 WELLCOM OUTLOOK

DIGITAL DEMAND WILL INCREASE ACROSS THE GLOBAL GRID.

GLOBAL BRAND MANAGEMENT - A SIGNIFICANT GROWTH AREA.

HUBS WILL BE KEY TO DE-COUPLING MARKETING STRATEGY.

Demand for high quality creative visual content will continue to grow and the speed at which smart brands can create this content is critical to their business. This is Wellcom's core competency.

Digital will remain the fastest growing marketing channel. Wellcom has and is, meeting the challenge with the acquisition of Addictive Pixel in the UK. Plans also include looking for an equivalent digital business on the US west coast to explore opportunities with the assistance of the Wellcom Los Angeles ('thelab') operation.

The digital experience is shaping client engagement, and the Wellcom Group provides digital solutions to bring this all together. Once designed and approved, Wellcom can deliver the content into social media channels.

While print catalogues will begin to slowly decline, expansion is being seen in the digital online and social media channels.

Content creation remains central to any media regardless of media distribution. Nothing changes – content remains king.

The growth in brand management will be a strong Wellcom Group service offering. It will see existing (and new) global clients seek companies like Wellcom to deliver a single brand solution for consistent corporate assets management and marketing distribution.

De-coupling of products and services from competitor single supplier relationships, will offer the Group opportunities by providing service alternatives to win new business.

For the first time cross-regional upsell to existing clients is proving to be an organic growth provider. Examples include Michael Kors in the US and the UK, and BASF in the UK and Australia.

2017 will also focus on partnership and alliances identifying synergies of purpose and services with notable corporate providers.

While the business remains confident of a continued solid year, global circumstances could dictate caution. In preparation, the Group is ready to take any appropriate action to protect the business. Adaptability has been a key focus of the Wellcom Group ever since the global financial crisis.

GROWTH TREND FOR ROBOTIC PHOTOGRAPHY FOR RETAIL ONLINE & PRINT.

UK TO CONSOLIDATE ON ITS SUCCESS WITH GOOD CASE STUDIES.

ADDICITVE PIXEL WILL CONTINUE TO LEAD WITH DIGITAL GROWTH.

WELLCOM AUSTRALASIA

Wellcom Australasia will be looking for additional new business as well as organic growth through new products and services development and resourcing. The Group also produced impressive case studies to support future pitches and tenders.

Hubs and de-coupling of services in concert with Knowledgewell offers significant opportunity and scope for new business.

Digital will become a key service offering and the business is well placed to meet any client requirement.

Robotic image capture has been introduced and when linked to Wellcom technologies will be an unbeatable combination.

WELLCOM UK

On the back of the successful 2015-16 turnaround, Wellcom London has created niche global brand management and this will set the parameters worldwide for similar new work and potential upsell of other Wellcom products and services. The combination of traditional business matched with digital is becoming the game-changer in London.

Addictive Pixel will further complement the London offering bringing Wellcom's traditional business in line with its digital offering.

With the upscaling of the BBH/Tesco hub, the London office now has a local case-study to demonstrate the benefits of hubs to potential clients. As a result, hub and digital sales will be front and centre in new business initiatives.

The 'dippin' sauce' brand is to be introduced into London. Capitalising on its established US reputation, it is envisaged that it will attract much local interest and open opportunities at the top end of the creative retouching and digital illustrative markets.

Wellcom London's excellent profile for high-end photography remains and this can be further leveraged. This includes the high-end boutique brands with niche eCommerce and Lifestyle solutions.

With Knowledgewell fully implemented in London, opportunities are expected to be capitalised on in 2017.

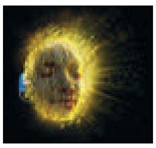
WELLCOM USA ('thelab')

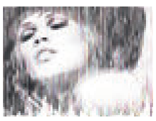
The US market is seeing a move to more integration between digital, print and video and single source vendors are being sought. Wellcom US is well represented by businesses 'thelab' and 'dippin' sauce' in New York, with offices in Columbus, and Los Angeles.

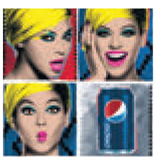
Larger brand clients are looking for agency alternatives and Wellcom US is both poised and ready to capitalise on such opportunities. With the changing services landscape, 'thelab' is placing greater emphasis on creative and investment in creative talent. This will assist the business in

BELOW
De-coupling of marketing services offers opportunity and growth for the Group. Iconic corporate brands such as Stockland lead the way.

2017 WELLCOM OUTLOOK







Wellcom USA is made up of businesses 'thelab' with offices in New York, Columbus and Los Angeles, and premier brand 'dippin' sauce', which is one of the world's leading content creation companies.

offering more strategically creative solutions.

Growth will come from 'thelab''s strong reputation as creative suppliers and partners to brand clients. Ably supported by 'dippin' sauce', growth will be seen in CGI, digital and video.

In-house leadership implementation will be developed and cross pollination between resources at 'thelab' and 'dippin' sauce' will be increased offering benefits to both businesses.

Plans to expand 'thelab' and 'dippin' sauce' for potential growth in capturing more west coast business is on foot. Wellcom Columbus (which manages client Victoria's Secret) will also be expanded for future growth.

WELLCOM ASIA

Growth in the Asian region is strongly linked to acquisitions and partnerships. These will be concentrated around Hong Kong and Singapore primarily and be defined as providers of services for Australasian, US and UK clients, as well as providing local market requirements.

Content creation in the form of image capture, image manipulation, video and post production, will all be key service offerings.

The 'Centre of Excellence' offers the whole Wellcom Group opportunities for creative and more complex retouching, iconic map design and production, and an expanded HTML5 digital area for adaptation work. It will also continue staff development for the additional organic and new business growth emanating from digital demand from all Wellcom global businesses.

WELLCOM HUBS

The traditional Wellcom Hubs model is being upgraded further to handle more digital and creative work. Increasing demand is being seen from Hub clients who can now take advantage of these services supplied within the Hub.

We believe this will become a significant source of organic growth.

WELLCOM DIGITAL – TRANSITION

The Group is five years into its implementation for digitally integrated services to complement and take up any possible drop from the traditional print based services area.

All forms of social media and building online content is being covered throughout the organisation.

The Group's digital focus and increased digital expansion is well supported at Wellcom New York, Sydney, London, Melbourne, Auckland and Kuala Lumpur. Such upscaling demonstrates the maturity of the Wellcom Group offering.

Content creation is the future for fueling all social media requirements. Such content whether it be video, static images or audio, will then be delivered to YouTube, Facebook, Instagram, Twitter, Google+, LinkedIn, Pinterest, Tumblr or any of the other new social media channels for 2017.

KNOWLEDGEWELL TECHNOLOGIES → MARKET CENTRAL → ALTITUDE → MRM → CANOPY

A SOFTWARE SOLUTION FOR ANY MARKETING REQUIREMENT.

Most software development has advanced all industry sectors for nearly 30 years. It has brought time and cost savings that today, businesses could no longer do without. Accountancy and finance, publishing and sales, education and engineering, science and technology are all underpinned by software.

Knowledgewell is to marketing what Excel is finance. Seven cloud-based online software modules that perform every function in the marketing process chain – from any device, from any location (with internet connectivity). Use it at the office, home, airport, in a cab – it truly makes any mobile device your office.

WELLCOM TECHNOLOGIES

The latest Knowledgewell developments will be fully implemented for 2017. Complemented by Marketing Resource Management and Total Print Management software, the Group now offers a dashboard of financial management, process management and unprecedented reporting for any marketing department.

Knowledgwell technologies consist of:

Market Central – empowering buying and marketing to collaborate on promotions by implementing a workflow platform that automates manual tasks, eliminates duplication and drives efficiencies.

Altitude – gives a client the ability to digitally brief a photo shoot, pre-populate metadata for each image, receive the images online for selection and retouching input, approve final images online, auto enter image and metadata into Wellcom Canopy image management library.

Canopy – Digital Content Management improves content distribution speed, security and efficiency by storing and re-purposing content into all media types across multiple platforms, databases and applications.

One Market – Print Procurement – is a technology solution that empowers clients and their supply chain to collaborate and manage the entire print procurement process. This also includes approval cycles, sourcing, and cost management across all print requirements.

Online Approval – increases speed compliance and speed-to-market while reducing iterations of artwork and associated production costs.

MRM – Marketing Resource Management provides all forms of business and marketing communications from ideas, initiatives, collaborations, planning, resource management and financials using one common user channel.

Buildwell – has reached new heights with total analytics that empowers the marketing manager or merchandise manager to build automated page layouts without graphics software input or training.

Opportunities will exist for direct corporate sales in the UK, Asia and Australia, as well as partnership alliances globally. Wellcom London has fully implemented Knowledgewell into production and it currently services local clients.

Knowledgewell will continue to play a critical role in the 2017 Wellcom Group services and sales mix.

→ ONLINE APPROVAL

→ ONE MARKET

→ BUILDWELL

GLOBAL MANAGEMENT TEAM

WELLCOM AUSTRALIA & NEW ZEALAND

MEL SYD ADL AKL

STEVE REES

C.E.O
Wellcom
Australia &
New Zealand

CRAIG BEVAN

General Manager
Wellcom
Sydney

ANDREW SIDWELL

Managing Director
Wellcom Melbourne
& London

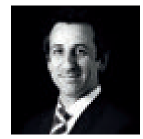
MELINDA PHILLIPS

General Manager
Print Services

JACLYN GORDON

General Manager
Wellcom NZ

GIANNI CARRARO

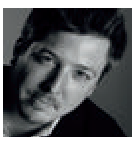


General Manager
Digital House

WELLCOM USA & UK

NYC LON LAX CMH

DAVID BRIDGES



President
''thelab''
Wellcom USA

JARED DOMOW

President
'dippin' sauce'

CHRIS GRAWE

Global Creative
Services Director

ANDREW SIDWELL

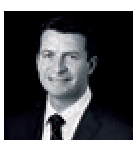
Managing Director
Wellcom London
& Melbourne

WELLCOM ASIA

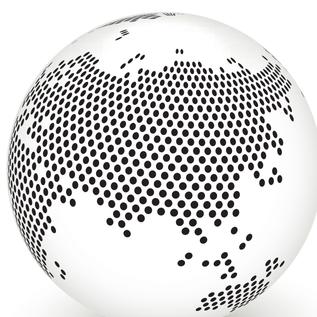
SIN HKG KUL

ASIA REMAINS A WELLCOM PRIORITY GROWTH CENTRE.

MICHAEL BETTRIDGE



Managing Director
Wellcom Asia
New Business
Development
Manager



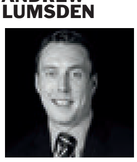
'CENTRE OF EXCELLENCE' SUPPORT MAINTAINS GROUP MARGINS.

WELLCOM WORLDWIDE CORPORATE HEADQUARTERS

H.Q I.T

THE GLOBAL TECHNOLOGY GROUP UNDERPINS WELLCOM'S SUCCESS.

ANDREW LUMSDEN



Global C.O.O
Global C.F.O
Company Secretary

MARK SWEETNAM

Head of Technology
Strategy

SHAUN GRAY

I.T Product
Manager

WELLCOM GROUP LIMITED

2016 ANNUAL REPORT

ACN 114 312 542

FINANCIALS FOR THE YEAR ENDED 30 JUNE 2016

CONTENTS

THE WELLCOM GROUP LIMITED ANNUAL REPORT
FINANCIALS FOR THE YEAR ENDED 30 JUNE 2016

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 2016.

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 (Executive 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 prior to his replacement by Janette Kendall on 17 February 2016. 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 25 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. Janette's previous Board experience includes directorships with Australian United Retailers Limited, the Melbourne International Arts Festival and Clemenger BBDO Melbourne. She is currently a director of 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, having previously held the position of Group Financial Controller. Andrew was also appointed to the position of Global Chief Operating Officer on 1 July 2014. Prior to joining Wellcom, Andrew was a Senior Manager within the Audit and Assurance practice of PricewaterhouseCoopers. 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	19,509,406*
C.A. Anzarut	20,000*
K.B. Smith	20,000*
J.A. Kendall	-

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

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

	2016 $'000	2015 $'000
Final dividend for the year ended 30 June 2015 of 12 cents per fully paid ordinary share paid on 18 September 2015 (2014: 11 cents)	**4,703**	4,311
Interim dividend for the half year ended 31 December 2015 of 9 cents per fully paid ordinary share paid on 18 March 2016 (2015: 8.5 cents)	**3,527**	3,331
	8,230	7,642

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 2016 of 13.5 cents per fully paid ordinary share. The dividend was declared on 17 August 2016, with a record date of 2 September 2016, to be paid on 16 September 2016 out of retained profits at 30 June 2016. 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

Group revenue of $156,237k (2015: $115,354k) represented an increase of 35% over the previous financial year, with net revenue (excluding print management pass through costs) of $103,375k (2015: $85,895k) representing an increase of 20% over the same period. The increase in net revenue has been driven by the acquisitions of 'dippin' sauce' (US) and Additive Pixel (UK), in conjunction with organic sales growth across all segments. Significant new business wins included Telstra (Australia), BASF (Australia), Michael Kors (UK/US) and Luxottica (US), complemented by an expansion of Wellcom's UK partnership with Bartle, Bogle & Hegarty (BBH), in undertaking the marketing production for Tesco and Audi. The second half of the financial year included the account losses of Westpac Bank and Dick Smith Holdings in Australia, the Dick Smith business having entered into receivership.

Operating margins within the Group fell slightly to 19.0% on a net revenue basis (2015: 19.5%), though improved when adjusting for the impact of foreign exchange fluctuations and a one-off cost associated with the receivership of Dick Smith Holdings.

EBITDA from continuing operations increased by 19% to $19,077k (2015: $16,069k), with EBIT from continuing operations increasing by 18% to $16,443k (2015: $13,898k). NPAT from continuing operations attributable to the owners of the Group increased 14% to $11,104k (2015: $9,762k), with the associated earnings per share from continuing operations increasing 14% to 28.33 cents (2015: 24.91 cents).

The effective tax rate for the Group was 32% (2015: 29%), increasing on a Group basis due to proportionally higher tax rates in the United States.

Shareholders' returns

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

	2016	2015
Basic earnings per share (cents)	**28.33**	24.91
Return on net assets (%)	**16.97**	15.40
Dividend payout ratio (%)	**79.41**	82.30

Liquidity and financial condition

The Group generated $13,593k in cash from operating activities for the year ended 30 June 2016 (2015: $13,780k). Net assets increased $2,056k to $65,428k (2015: $63,372k). As at 30 June 2016 the Group has cash equivalents in excess of interest bearing liabilities by $7,505k (2015: $8,823k). This, in combination with $8,132k of unused bank facilities (2015: $8,020k), provides significant capital to pursue complementary acquisitions as they arise.

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 2016 financial year on 17 August 2016. The total amount of the dividend is $5,291k which represents a fully franked dividend of 13.5 cents per share. The dividend has not been provided for in the 30 June 2016 financial statements.

No other matter or circumstance has arisen since 30 June 2016 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 $30,000 (2015: $30,000) 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 willful 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 2016, 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	2	2	1	1
C.A. Anzarut	10	10	2	2	1	1
K.B. Smith	10	10	2	2	1	1
J.A. Kendall	5	5	1	1	N/A	N/A

* Held meetings represents the number of meetings held during the time the director held office or was a member of the committee during the year.

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.*

Remuneration philosophy

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.

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.

Remuneration structure

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

Non-executive director remuneration

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. Details of the remuneration of non-executive directors for the year ended 30 June 2016 and 30 June 2015 are set out in Table 1 and 2 respectively.

Executive director and key executive remuneration

Objective

The Group 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.

Key management personnel are given the opportunity to receive their fixed remuneration in a variety of forms including cash, superannuation contributions 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.

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.

The key management personnel of the Group were the non-executive and executive directors together with the following additional executives:

S. Rees, Chief Executive Officer of Australia and New Zealand

A. Lumsden, Company Secretary, Chief Financial Officer and Global Chief Operating Officer

M. Bettridge, Managing Director, Asia and Global Business Development Officer

A. Sidwell, Managing Director, UK

C. Grawe, Global Creative Services Director

D. Bridges, Managing Director, US

Details of the remuneration of key management personnel of the Group for the year ended 30 June 2016 are set out in the table below (Table 1).

Table 1

	Short-term employee benefits			Post-employment benefits	Long-term benefits		
Name	**Cash salary $**	**Bonus $**	**Non-cash benefits $**	**Super-annuation $**	**Long service leave $**	**Total $**	**At risk %**
Non-executive directors							
C.A. Anzarut	77,626	-	-	17,374	-	95,000	-
K.B. Smith	60,502	-	-	34,498	-	95,000	-
J.A. Kendall	37,373	-	-	3,550	-	40,923	-
Sub-total non-executive directors	175,501	-	-	55,422	-	230,923	-
Executive chairman							
W.W. Sidwell	452,162	-	-	27,838	8,208	488,208	-
Other key management personnel							
S. Rees	420,692	170,000	-	19,308	11,995	621,995	27.3
A. Lumsden	330,692	170,000	-	19,308	27,834	547,834	31.0
M. Bettridge	315,017	170,000	22,342	19,308	11,524	538,191	31.6
A. Sidwell*	399,918	100,000	-	4,894	-	504,812	19.8
C. Grawe*	283,883	61,292	2,045	12,108	-	359,328	17.1
D. Bridges**	457,022	66,700	24,715	-	-	548,437	12.2
Total key management personnel compensation	2,834,887	737,992	49,102	158,186	59,561	3,839,728	19.2

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2016.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2016.

Details of the remuneration of key management personnel for the Group for the year ended 30 June 2015 are set out in the table below (Table 2).

Table 2

	Short-term employee benefits			Post-employment benefits	Long-term benefits		
Name	**Cash salary $**	**Bonus $**	**Non-cash benefits $**	**Super-annuation $**	**Long service leave $**	**Total $**	**At risk %**
Non-executive directors							
C.A. Anzarut	74,582	-	-	17,085	-	91,667	-
K.B. Smith	55,556	-	-	34,954	-	90,510	-
Sub-total non-executive directors	130,138	-	-	52,039	-	182,177	-
Executive chairman							
W.W. Sidwell	412,687	-	-	27,313	71,385	511,385	-
Other key management personnel							
S. Rees	348,717	85,000	-	28,784	42,684	505,185	16.8
A. Lumsden	224,550	125,000	-	18,783	10,773	379,106	33.0
M. Bettridge	298,875	85,000	22,342	18,783	6,413	431,413	19.7
A. Sidwell*	341,620	26,207	-	9,059	-	376,886	7.0
C. Grawe*	256,725	-	1,576	11,218	-	269,519	-
D. Bridges**	298,721	74,680	21,508	-	-	394,909	18.9
Total key management personnel compensation	2,312,033	395,887	45,426	165,979	131,255	3,050,580	13.0

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2015.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2015.

Employment contracts

W.W. Sidwell

The Executive Chairman, Mr Sidwell is employed under contract by Wellcom Group Limited. The current employment contract commenced on 1 July 2013 and terminates on 30 June 2017 at which time the Company may choose to commence negotiations to enter into a new contract with Mr Sidwell.

- Mr Sidwell receives fixed remuneration of $480,000 per annum.
- Both Mr Sidwell and the Company may terminate this contract by giving 6 months written notice. Where such notice is provided by either Mr Sidwell or the Company, the Company may request Mr Sidwell refrain from performing his 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.

Other key management personnel

All other 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.

Management Incentive Scheme

Details of the management incentive plan initiated by the Board for key management personnel for the years ended 30 June 2016 and 30 June 2015 are included below. The management incentive scheme represents the only portion of KMP remuneration that relates to performance.

Year ended 30 June 2016

Key management personnel

All key management personnel, other than the directors, shall be entitled to the following:

- an amount not exceeding 50% of their total remuneration package. This is calculated on the achievement of several performance criteria including: (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.
- the incentive shall be paid by way of either cash or shares, the method of payment is at the entire discretion of the Board.
- any incentive payments due shall only be paid following the release of the full year's results for the Group to the ASX in relation to that financial year.

The following management incentives were approved by the Board in relation to the year ended 30 June 2016:

	Remuneration package 1 July 2016 $	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid/ payable $
Key management personnel					
S. Rees	**440,000**	**-**	**-**	**170,000**	**170,000**
A. Lumsden	**370,000**	**31,250**	**31,250**	**107,500**	**170,000**
M. Bettridge	**360,000**	**-**	**-**	**170,000**	**170,000**
A. Sidwell*	**404,813**	**27,500**	**27,500**	**45,000**	**100,000**
C. Grawe*	**298,036**	**30,646**	**30,646**	**-**	**61,292**
D. Bridges**	**481,737**	**-**	**-**	**66,700**	**66,700**
	2,354,586	**89,396**	**89,396**	**559,200**	**737,992**

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2016.

** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2016.

Year ended 30 June 2015

Key management personnel

All key management personnel, other than the directors, shall be entitled to the following:

- an amount not exceeding 50% of their total remuneration package. This is calculated on the achievement of several performance criteria including: (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.
- the incentive shall be paid by way of either cash or shares, the method of payment is at the entire discretion of the Board.
- any incentive payments due shall only be paid following the release of the full year's results for the Group to the ASX in relation to that financial year.

The following management incentives were approved by the Board in relation to the year ended 30 June 2015:

	Remuneration package 1 July 2015 $	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid/ payable $
Key management personnel					
S. Rees	440,000	42,500	42,500	-	85,000
A. Lumsden	250,000	62,500	62,500	-	125,000
M. Bettridge	340,000	42,500	-	42,500	85,000
A. Sidwell *	351,056	26,207	-	-	26,207
C. Grawe *	274,227	-	-	-	-
D. Bridges **	320,229	37,340	37,340	-	74,680
	1,975,512	211,047	142,340	42,500	395,887

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2015.
** Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2015.

Relationship between Group's performance and key management personnel remuneration

The table below details the relationship between the Group's earnings before interest and tax and payments made under the management incentive scheme. The linkage between performance and shareholder wealth for the current and previous four years is also shown.

	2012	2013	2014	2015	2016
Management incentive as a % of target (%)	40.9	4.7	10.4	50.2	82.2
EBIT ($'000)	13,175	10,350	11,396	13,898	16,443
Dividends paid/payable (cents per share)	18.0	18.0	19.0	20.5	22.5
Change in share price between the start and the end of the year (%)	7.1	8.0	18.4	31.8	23.4

Key management personnel equity holdings

Fully paid ordinary shares held in Wellcom Group Limited

Year ended 30 June 2016

	Opening balance 1 July 2015	Granted as remuneration	Other changes	Closing balance 30 June 2016	Balance held nominally
Directors					
W.W. Sidwell	**19,483,211**	**-**	**26,195**	**19,509,406**	**-**
C.A. Anzarut	**20,000**	**-**	**-**	**20,000**	**-**
K.B. Smith	**20,000**	**-**	**-**	**20,000**	**-**
J.A. Kendall *	**-**	**-**	**-**	**-**	**-**
	19,523,211	**-**	**26,195**	**19,549,406**	**-**
Other key management personnel					
S. Rees	**16,000**	**-**	**-**	**16,000**	**-**
A. Lumsden	**70,000**	**-**	**-**	**70,000**	**-**
M. Bettridge	**120,000**	**-**	**(120,000)**	**-**	**-**
A. Sidwell	**80,000**	**-**	**-**	**80,000**	**-**
C. Grawe	**-**	**-**	**-**	**-**	**-**
D. Bridges	**-**	**-**	**-**	**-**	**-**
	286,000	**-**	**(120,000)**	**166,000**	**-**
	19,809,211	**-**	**(93,805)**	**19,715,406**	**-**

* Appointed as Director on 27 January 2016.

Year ended 30 June 2015

	Opening balance 1 July 2014	Granted as remuneration	Other changes	Closing balance 30 June 2015	Balance held nominally
Directors					
W.W. Sidwell	18,983,211	-	500,000	19,483,211	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
	19,023,211	-	500,000	19,523,211	-
Other key management personnel					
S. Rees	16,000	-	-	16,000	-
A. Lumsden	40,000	-	30,000	70,000	-
A. Sidwell *	-	-	80,000	80,000	-
M. Bettridge	120,000	-	-	120,000	-
C. Grawe	-	-	-	-	-
D. Bridges	-	-	-	-	-
	176,000	-	110,000	286,000	-
	19,199,211	-	610,000	19,809,211	-

* Became a key management person on 1 July 2014.

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.

	2016	2015
	$	$
Revenue		
Kinkaid Pty Ltd (a)	**826,513**	792,845
Total recognised as revenue	**826,513**	792,845
Expenses		
Raw materials and consumables (Kinkaid Pty Ltd) (a)	**4,196,390**	3,595,348
Legal fees (b)	**17,144**	80,968
Rent (c)	**1,478,126**	1,445,417
Total recognised as expenses	**5,691,660**	5,121,733

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 assets	**245,935**	165,239
Current liabilities	**627,798**	571,719

(a) Mr Wayne Sidwell is a director and shareholder of Kinkaid Pty Ltd. The revenue and expenses arising during the year ended 30 June 2016 and 2015 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 three buildings owned by a superannuation fund the assets of which the Executive 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 37 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 2016.

In accordance with Section 324DAA of the *Corporations Act 2001*, the Board granted an approval for the lead auditor to play a significant role in the audit of the Company's financial statements for a further two successive financial years, concluding with the 30 June 2016 financial audit, on the basis that independence and audit quality would not be compromised by doing so.

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
Director
Melbourne, 17 August 2016

HLB Mann Judd
Accountants | Business and Financial Advisers

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Wellcom Group Limited for the year ended 30 June 2016, 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
Chartered Accountants

Jude Lau
Partner

Melbourne
17 August 2016

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 Financial Report

We have audited the accompanying 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 2016, the consolidated statement of profit or loss, 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, notes comprising a summary of significant accounting policies and other explanatory information, and the Directors' declaration, for the Group. The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view 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 company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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HLB Mann Judd
Accountants | Business and Financial Advisers

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Opinion

In our opinion:

(a) the financial report of Wellcom Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Wellcom Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
17 August 2016

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DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 41 to 86 are in accordance with the *Corporations Act 2001*, including:

i) complying with 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 2016 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
Director

Melbourne, 17 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	**2016 $'000**	2015 $'000
Continuing operations			
Revenue	3(a)	**156,237**	115,354
Other income	3(b)	**873**	670
Raw materials and consumables		**(70,800)**	(43,007)
Occupancy expenses		**(6,827)**	(6,418)
Employee benefits expense	3(c)	**(55,195)**	(46,502)
Depreciation, amortisation and impairment	3(d)	**(2,634)**	(2,171)
Finance costs	3(e)	**(202)**	(134)
Consulting expenses		**(171)**	(88)
Other expenses		**(4,985)**	(3,905)
Profit before income tax expense		**16,296**	13,799
Income tax expense	4(a)	**(5,192)**	(4,037)
Net profit for the year		**11,104**	9,762
Profit for the year is attributable to:			
Owners of Wellcom Group Limited		**11,104**	9,762
Earnings per share:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of parent:			
Basic (cents per share)	21	**28.33**	24.91
Diluted (cents per share)	21	**28.33**	24.91
Earnings per share from profit attributable to the ordinary equity holders of the parent:			
Basic (cents per share)	21	**28.33**	24.91
Diluted (cents per share)	21	**28.33**	24.91

Notes to the consolidated financial statements are included on pages 46 to 86.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Profit for the year		**11,104**	9,762
Other comprehensive income			
Foreign currency translation, net of tax	20	**(818)**	2,876
Other comprehensive loss for the year, net of tax		**(818)**	2,876
Total comprehensive income for the year		**10,286**	12,638
Total comprehensive income for the year is attributable to:			
Owners of Wellcom Group Limited		**10,286**	12,638

Notes to the consolidated financial statements are included on pages 46 to 86.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents	5(a)	**7,764**	11,678
Trade and other receivables	7	**23,101**	19,211
Inventories and work in progress	8	**1,107**	1,342
Other current assets	9	**1,523**	1,723
Total current assets		**33,495**	33,954
Non-current assets			
Property, plant and equipment	10	**5,626**	5,055
Deferred tax assets	4(c)	**1,730**	1,414
Intangible assets	11	**48,914**	45,733
Other non-current assets	12	**284**	282
Total non-current assets		**56,554**	52,484
Total assets		**90,049**	86,438
Current liabilities			
Trade and other payables	13	**16,860**	12,781
Short term borrowings	14	**115**	2,726
Current tax payables	4(b)	**714**	1,808
Provisions	15	**3,980**	4,275
Total current liabilities		**21,669**	21,590
Non-current liabilities			
Long term borrowings	17	**144**	129
Deferred tax liabilities	4(c)	**1,796**	433
Provisions	16	**695**	724
Other non-current liabilities	18	**317**	190
Total non-current liabilities		**2,952**	1,476
Total liabilities		**24,621**	23,066
Net assets		**65,428**	63,372
Equity			
Contributed equity	19	**38,355**	38,355
Retained earnings and reserves	20	**27,073**	25,017
Total equity attributable to owners of Wellcom Group Limited		**65,428**	63,372

Notes to the consolidated financial statements are included on pages 46 to 86.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity attributable to owners of the parent $'000
At 1 July, 2015		**38,355**	**912**	**24,105**	**63,372**
Profit for the year		**-**	**-**	**11,104**	**11,104**
Other comprehensive income for the year		**-**	**(818)**	**-**	**(818)**
Total comprehensive income for the year		**-**	**(818)**	**11,104**	**10,286**
Transactions with owners in their capacity as owners:					
Dividends paid	22	**-**	**-**	**(8,230)**	**(8,230)**
At 30 June, 2016		**38,355**	**94**	**26,979**	**65,428**

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity attributable to owners of the parent $'000
At 1 July, 2014		38,355	(1,964)	21,985	58,376
Profit for the year		-	-	9,762	9,762
Other comprehensive income for the year		-	2,876	-	2,876
Total comprehensive income for the year		-	2,876	9,762	12,638
Transactions with owners in their capacity as owners:					
Dividends paid	22	-	-	(7,642)	(7,642)
At 30 June, 2015		38,355	912	24,105	63,372

Notes to the consolidated financial statements are included on pages 46 to 86.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		**169,247**	123,514
Payments to suppliers and employees		**(150,188)**	(106,832)
Income tax paid		**(5,264)**	(2,768)
Interest and other costs of finance paid		**(202)**	(134)
Net cash provided by operating activities	5(b)	**13,593**	13,780
Cash flows used in investing activities			
Interest received		**46**	35
Payments for business acquisitions, net of cash acquired	29	**(3,440)**	(146)
Proceeds from sale of property, plant and equipment		**95**	-
Payment of development costs	11	**(539)**	(697)
Payment for property, plant and equipment	10	**(2,868)**	(2,064)
Net cash used in investing activities		**(6,706)**	(2,872)
Cash flows used in financing activities			
Dividends paid		**(8,230)**	(7,642)
(Repayments) / Draw down of borrowings		**(2,491)**	2,795
Net cash used in financing activities		**(10,721)**	(4,847)
Net (decrease) / increase in cash and cash equivalents		**(3,834)**	6,061
Cash and cash equivalents at the beginning of the year		**11,678**	6,135
Effects of exchange rate changes on cash and cash equivalents		**(80)**	(518)
Cash and cash equivalents at the end of the year	5(a)	**7,764**	11,678

Notes to the consolidated financial statements are included on pages 46 to 86.

CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial statements of Wellcom Group Limited (the Group or consolidated entity) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 17 August 2016.

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 2015 is disclosed in note 2(aa).

(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 2015.

(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 2016 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 Ltd. 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 for the whole of the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Principles of consolidation (continued)

Wellcom Group Inc is 100% owned by Wellcom Group Ltd. 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'.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Investments and other financial assets (continued)

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

The above estimated useful lives are consistent with the prior year.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Provisions (continued)

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.

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 re-measured 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 31 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

The Group has adopted AASB 2015-3: Amendments to Australian Accounting Standards arising from the Withdrawal of *AASB 1031 Materiality* effective from 1 July 2015. The adoption of these amendments had no impact on the Group's annual financial results.

There have been no other changes to the Group's accounting policies.

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. Although the Group anticipate that the adoption of AASB 15 may have an impact on the financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

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

	2016 $'000	2015 $'000
(a) Revenue		
Revenue from continuing operations	**156,237**	115,354
(b) Other income		
Gain from derecognition of contingent consideration	**83**	-
Interest revenue (bank deposits)	**55**	35
Rental and sub-lease rental income	**509**	604
Other	**226**	31
	873	670
(c) Employee benefits expense		
Salaries and wages	**(55,015)**	(46,305)
Fringe benefits tax	**(114)**	(126)
Staff amenities	**(66)**	(71)
	(55,195)	(46,502)
(d) Depreciation, amortisation & impairment		
Depreciation of non-current assets	**(2,133)**	(1,951)
Amortisation of internally generated intangible assets	**(501)**	(220)
	(2,634)	(2,171)
(e) Finance costs		
Interest expense	**(202)**	(134)
(f) Net loss on disposal of property, plant and equipment	**(3)**	(4)
(g) Rental expenses relating to operating leases		
Minimum lease payments	**(5,149)**	(4,802)
(h) Net foreign exchange (loss)/gain	**(66)**	421
(i) Bad and doubtful debts loss	**(418)**	(18)

4. INCOME TAX EXPENSE

	2016 $'000	2015 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current income tax expense	**4,602**	4,219
Deferred income tax income relating to		
the origination and reversal of temporary differences	**655**	(69)
Current income charge in respect of previous years	**(65)**	(113)
Total income tax expense	**5,192**	4,037
Attributable to:		
Continuing operations	**5,192**	4,037
Deferred income tax revenue included in income tax expense comprises:		
Increase in deferred tax assets (note 4(c))	**(268)**	(245)
Increase in deferred tax liabilities (note 4(c))	**923**	176
	655	(69)

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:

	2016 $'000	2015 $'000
Profit from continuing operations before income tax expense	**16,296**	13,799
Income tax expense calculated at 30% (2015: 30%)	**4,889**	4,140
Non-deductible expenses	**122**	11
Research and development deduction	**(150)**	(196)
Differences in overseas tax rates	**253**	381
Previously unrecognised tax losses recouped to reduce current tax expense	**(50)**	(243)
Over provided in prior periods	**(65)**	(113)
Change in unrecognised temporary differences	**204**	-
Non-assessable income	**(17)**	-
Deferred tax assets not recognised	**6**	57
	5,192	4,037

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2015: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

	2016 $'000	2015 $'000
(b) Current tax assets and liabilities		
Current tax assets	**-**	-
Current tax liabilities	**714**	1,808
(c) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	**1,730**	1,414
Deferred tax liabilities comprise:		
Temporary differences	**1,796**	433

4. INCOME TAX EXPENSE (CONTINUED)

2016

	Opening balance $'000	Prior Year Adjustments $'000	Charged/ Credited to Income $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Gross deferred tax assets:					
Provisions	1,381	43	295	-	1,719
Investments	-	5	(5)	-	-
Accruals	24	-	(24)	-	-
Property, plant and equipment	9	-	2	-	11
	1,414	48	268	-	1,730
Gross deferred tax liabilities:					
Interest receivable	14	-	(11)	-	3
Intangible assets	373	-	12	-	385
Investments	44	-	(31)	-	13
Deposits paid	2	-	(1)	-	1
Intangible assets	-	-	587	-	587
PP&E	-	440	367	-	807
	433	440	923	-	1,796

2015

	Opening balance $'000	Charged/ Credited to Income $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Gross deferred tax assets:				
Provisions	1,001	380	-	1,381
Investments	138	(138)	-	-
Accruals	22	2	-	24
Property, plant and equipment	8	1	-	9
	1,169	245	-	1,414
Gross deferred tax liabilities:				
Interest receivable	16	(2)	-	14
Intangible assets	231	142	-	373
Investments	-	44	-	44
Deposits paid	10	(8)	-	2
	257	176	-	433

	2016 $'000	2015 $'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	715	909
Potential tax benefit	179	224

The above tax losses relate to overseas subsidiaries.

5. CASH AND CASH EQUIVALENTS

	2016 $'000	2015 $'000
(a) Cash and cash equivalents		
Cash on hand	**17**	14
Cash at bank	**4,747**	11,664
Cash on deposit	**3,000**	-
Total cash and cash equivalents	**7,764**	11,678

Cash at bank and on hand earns interest at floating rates based upon daily deposit rates. Cash on deposit earns interest at fixed rates based upon the bank deposit rate at the time of the deposit and in consideration of the term of the deposit. The interest rate applicable to cash on deposit at 30 June 2016 is 2.05% (2015: NIL). Cash is placed on deposit for terms between thirty (30) days to two hundred and ten (210) days depending upon bank interest rates and cash flow requirements of the Group.

(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:

Net profit after income tax	**11,104**	9,762
Adjustments for non-cash income and expense items:		
Amortisation of intangible assets	**501**	220
Depreciation of non-current assets	**2,133**	1,951
Loss on disposal of non-current assets	**3**	4
Interest income received and receivable	**(55)**	(35)
Gain on derecognition of contingent consideration	**(83)**	-
Net exchange difference	**(783)**	2,863
Increase/decrease in assets/liabilities:		
Trade and other receivables	**(3,881)**	(3,283)
Inventories	**356**	381
Other assets	**471**	(2,858)
Trade and other payables	**4,206**	2,848
Income tax payable	**(1,094)**	1,251
Deferred tax balances	**1,047**	(69)
Provisions	**(332)**	745
Net cash from operating activities	**13,593**	13,780

(c) Financing activities

Secured bank finance facilities subject to annual review:		
- amount used	**1,437**	4,291
- amount unused	**8,132**	8,020
	9,569	12,311

6. REMUNERATION OF AUDITORS

	2016 $	2015 $
(a) Auditor services		
HLB Mann Judd:		
Audit and review of the financial reports	**88,000**	87,800
HLB Mann Judd related practices:		
Audit and review of the financial reports	**52,288**	36,028
Other Auditors:		
Audit and review of the financial reports	**38,624**	31,033
Total remuneration for audit services	**178,912**	154,861
(b) Other services		
HLB Mann Judd related practices:		
Taxation services	**27,107**	27,413
Other services	**6,027**	8,317
Other Auditors:		
Taxation services	**3,079**	2,828
Total remuneration for non-audit services	**36,213**	38,558

7. TRADE AND OTHER RECEIVABLES

	2016 $'000	2015 $'000
Trade receivables	**23,139**	19,165
Allowance for doubtful debts (note 23)	**(98)**	(72)
	23,041	19,093
Sundry debtors	**51**	118
Interest income receivable	**9**	-
	23,101	19,211

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

	2016 $'000	2015 $'000
Raw materials at cost	**79**	82
Work in progress	**1,028**	1,260
	1,107	1,342

9. OTHER CURRENT ASSETS

	2016 $'000	2015 $'000
Prepayments	**1,523**	1,723
	1,523	1,723

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 2014					
At cost	14,672	2,989	1,376	330	19,367
Accumulated depreciation	(11,935)	(1,796)	(967)	(49)	(14,747)
Net book amount	2,737	1,193	409	281	4,620
Year ended 30 June 2015					
Opening net book amount	2,737	1,193	409	281	4,620
Additions	1,583	297	145	39	2,064
Additions from business acquisition (note (a))	18	-	-	-	18
Disposals/transfers	(3)	-	-	(1)	(4)
Depreciation charge	(1,281)	(398)	(141)	(131)	(1,951)
Exchange differences	136	109	8	55	308
Closing net book amount	3,190	1,201	421	243	5,055
At 30 June 2015					
At cost	18,899	5,396	1,731	432	26,458
Accumulated depreciation	(15,709)	(4,195)	(1,310)	(189)	(21,403)
Net book amount	3,190	1,201	421	243	5,055
Year ended 30 June 2016					
Opening net book amount	**3,190**	**1,201**	**421**	**243**	**5,055**
Additions	**2,470**	**139**	**102**	**157**	**2,868**
Disposals/transfers	**(69)**	**(17)**	**(1)**	**(11)**	**(98)**
Depreciation charge	**(1,574)**	**(292)**	**(137)**	**(130)**	**(2,133)**
Exchange differences	**(83)**	**14**	**(3)**	**6**	**(66)**
Closing net book amount	**3,934**	**1,045**	**382**	**265**	**5,626**
At 30 June 2016					
At cost	**19,570**	**5,314**	**1,714**	**505**	**27,103**
Accumulated depreciation	**(15,636)**	**(4,269)**	**(1,332)**	**(240)**	**(21,477)**
Net book amount	**3,934**	**1,045**	**382**	**265**	**5,626**

(a) These additions relate to the acquisition of the Thinkbone business on 1 July 2014 (refer to note 29).

11. INTANGIBLE ASSETS

	Goodwill $'000	Software * $'000	Total $'000
At 1 July 2014			
Cost	41,889	824	42,713
Accumulated amortisation	-	(56)	(56)
Accumulated impairment losses	(460)	-	(460)
Net book amount	41,429	768	42,197
Year ended 30 June 2015			
Opening net book amount	41,429	768	42,197
Additions – internal development	-	697	697
Additions – acquisition (note 29)	897	-	897
Amortisation charge **	-	(220)	(220)
Exchange differences	2,162	-	2,162
Closing net book amount	44,488	1,245	45,733
At 30 June 2015			
Cost	44,948	1,521	46,469
Accumulated amortisation	-	(276)	(276)
Accumulated impairment losses	(460)	-	(460)
Net book amount	44,488	1,245	45,733
Year ended 30 June 2016			
Opening net book amount	**44,488**	**1,245**	**45,733**
Additions – internal development	**-**	**539**	**539**
Additions – acquisition (note 29)	**3,833**	**-**	**3,833**
Amortisation charge **	**-**	**(501)**	**(501)**
Exchange differences	**(690)**	**-**	**(690)**
Closing net book amount	**47,631**	**1,283**	**48,914**
At 30 June 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**

* Software includes capitalised development costs being an internally generated intangible asset.
** Amortisation of $500,918 (2015: $220,480) 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.

	2016 $'000	2015 $'000
Australasia	**30,405**	30,405
United Kingdom	**5,598**	5,762
United States of America	**11,628**	8,321
Total Goodwill	**47,631**	44,488

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 **	
	2016	2015	**2016**	2015
	%	%	**%**	%
Australasia	**3.0**	3.0	**9.4**	11.9
United Kingdom	**3.0**	3.0	**9.3**	9.6
United States of America	**3.0**	3.0	**6.7**	9.3

* 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

	2016	2015
	$'000	$'000
Deposits paid	**284**	282

13. TRADE AND OTHER PAYABLES

	2016	2015
	$'000	$'000
Unsecured		
Trade payables	**10,901**	8,747
Goods and services tax / value added tax (GST / VAT) payable	**1,169**	919
Other	**4,790**	3,115
	16,860	12,781

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

	2016	2015
	$'000	$'000
Bank loan	**-**	2,613
Lease liability (Note 24)	**115**	113
	115	2,726

The bank loan is a revolving line of credit, repaid in full on the 28 June 2016. Interest is charged on the Bank of America LIBOR rate plus 1.75 percentage points. For further details refer to note 23.

15. CURRENT PROVISIONS

	2016 $'000	2015 $'000
Employee benefits (a)	**3,919**	3,787
Provision for makegood (b)	**20**	15
Contingent purchase consideration (note 30)	**41**	473
	3,980	4,275

(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 $3,919,000 (2015: $3,787,000) 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.

	2016 $'000	2015 $'000
Current leave obligations expected to be settled after 12 months	**625**	313

(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.

	2016 $'000	2015 $'000
Movement in provisions: Makegood		
Carrying amount at the beginning of the year	**15**	-
Charged/(Credited) to the consolidated income statement:		
- Movement from non-current provision	**20**	-
- Additional provisions recognised	**-**	15
- Decrecognition of make good provision	**(15)**	-
Carrying amount at year end	**20**	15

16. NON-CURRENT PROVISIONS

	2016 $'000	2015 $'000
Employee benefits	**364**	335
Provision for makegood (a)	**15**	35
Contingent purchase consideration (note 30)	**316**	354
	695	724

(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.

	2016 $'000	2015 $'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 from non-current provision	**(20)**	-
Carrying amount at year end	**15**	35

17. LONG TERM BORROWINGS

	2016 $'000	2015 $'000
Lease liability (Note 24)	**144**	129

18. OTHER NON-CURRENT LIABILITIES

	2016 $'000	2015 $'000
Deferred rent	**198**	75
Deposits payable	**119**	115
	317	190

19. CONTRIBUTED EQUITY

	2016 $'000	2015 $'000
39,190,001 (2015: 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 2016 the return was 17 percent (2015: 15 percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was NIL (2015: 2%).

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, commercial bill, lease/hire purchase, guarantee/standby letter of credit, pay away facilities and an interest bearing loan. 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

	2016 $'000	2015 $'000
(a) Reserves		
Foreign currency translation reserve	**94**	912
Movements:		
Foreign currency translation reserve:		
Balance at beginning of financial year	**912**	(1,964)
Currency translation differences during the year	**(818)**	2,876
Balance at end of financial year	**94**	912
(b) Retained earnings		
Movements in retained profits were as follows:		
Balance at beginning of financial year	**24,105**	21,985
Net profit attributable to members of the parent	**11,104**	9,762
Dividends paid or provided for (note 22)	**(8,230)**	(7,642)
Balance at end of financial year	**26,979**	24,105
Total reserves and retained earnings	**27,073**	25,017

(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

	2016 Cents	2015 Cents
(a) Basic earnings per share		
- from continuing operations	**28.33**	24.91
Total basic earnings per share	**28.33**	24.91
(b) Diluted earnings per share		
- from continuing operations	**28.33**	24.91
Total diluted earnings per share	**28.33**	24.91

(c) Reconciliations of earnings used in calculating earnings per share	2016 $'000	2015 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**11,104**	9,762
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**11,104**	9,762
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	**11,104**	9,762

21. EARNINGS PER SHARE (CONTINUED)

Weighted number of shares used as the denominator	**2016 No. '000**	2015 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

	2016 Cents	**2016 $'000**	2015 Cents	2015 $'000
(a) Fully paid ordinary shares				
Final dividend				
Fully franked for the year ended 30 June 2015, Paid 18 September 2015 (2014: 19 September 2014)	**12.0**	**4,703**	11.0	4,311
Interim dividend				
Fully franked for the half year ended 31 December 2015, Paid 18 March 2016 (2014: 20 March 2015)	**9.0**	**3,527**	8.5	3,331
	21.0	**8,230**	19.5	7,642
(b) Dividends not recognised at year end				
Final dividend				
Fully franked final dividend for the year ended 30 June 2016, to be paid 16 September 2016 (2015: 18 September 2015)	**13.5**	**5,291**	12.0	4,703
	13.5	**5,291**	12.0	4,703

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2016 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 2016.

	2016 $'000	2015 $'000
Franking credits available for subsequent years based on a tax rate of 30% (2015: 30%)	**8,432**	7,804

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 $2,267,421 (2015: $2,015,486).

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 Executive Chairman, 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.

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.

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

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	2016 $'000	2015 $'000
Cash and cash equivalents	5	**7,764**	11,678
Trade receivables	7	**23,041**	19,093
Other receivables	7	**60**	118
		30,865	30,889

The Group's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was $23,041k (2015: $19,093k).

Impairment losses

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

	Gross 2016 $'000	Impairment 2016 $'000	Gross 2015 $'000	Impairment 2015 $'000
Not past due	**15,520**	**-**	12,461	-
Past due 0-30 days	**5,247**	**-**	4,354	-
Past due 31-120 days	**2,277**	**84**	2,290	41
Past due 121 days to one year	**95**	**14**	60	31
	23,139	**98**	19,165	72

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

	2016 $'000	2015 $'000
Opening balance at 1 July	**72**	59
Impairment loss recognised	**418**	18
Receivables written off during the year as uncollectible	**(378)**	(12)
Foreign exchange movement	**(14)**	7
Closing balance at 30 June	**98**	72

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:

23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

- $3,500k cash advance facility;
- $1,259k hire purchase and lease facility;
- $1,505k bank guarantee facility;
- $3,305k sundry cash facility; and

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

2016

Non-derivative financial liabilities	Carrying Amount $'000	Contractual cash flows $'000	6 months or less $'000
Trade and other payables	16,860	16,860	16,860
Borrowings	259	266	58
	17,119	17,126	16,918

2015

Non-derivative financial liabilities	Carrying Amount $'000	Contractual cash flows $'000	6 months or less $'000
Trade and other payables	12,781	12,781	12,781
Borrowings	2,855	2,864	66
	15,636	15,645	12,847

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 2016 or the year ended 30 June 2015 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 2016**					30 June 2015		
	GBP	**NZD**	**SGD**	**MYR**	**USD**	GBP	NZD	SGD	MYR	USD
Trade receivables	**3,754**	**314**	**-**	**-**	**4,640**	3,382	239	124	95	3,254
Trade payables	**(1,469)**	**(47)**	**-**	**(1)**	**(149)**	(1,530)	(93)	(7)	(3)	(176)
Gross exposure	**2,285**	**267**	**-**	**(1)**	**4,491**	1,852	146	117	92	3,078

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
$1 AUD : 1	**2016**	2015	**2016**	2015
GBP	**0.4914**	0.5304	**0.5549**	0.4870
NZD	**1.0908**	1.0748	**1.0489**	1.1193
SGD	**1.0121**	1.0942	**1.0027**	1.0336
MYR	**3.0098**	2.8787	**2.9905**	2.8905
USD	**0.7283**	0.8369	**0.7426**	0.7655
HKD	**5.6513**	6.0249	**5.7617**	5.9346

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 2015.

	Equity $'000	**Profit or loss $'000**
30 June 2016		
GBP	**208**	**-**
NZD	**25**	**16**
USD	**408**	**-**
30 June 2015		
GBP	168	-
NZD	13	9
SGD	11	-
MYR	8	-
USD	280	-

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 30 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:

	2016 $'000	2015 $'000
Within one year	**4,300**	4,234
Later than one year but not later than five years	**10,920**	7,272
Later than five years	**5,781**	-
	21,001	11,506

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:

	2016 $'000	2015 $'000
Within one year	**118**	117
Later than one year but not later than five years	**148**	134
Minimum payments	**266**	251
Future finance charges	**(7)**	(9)
Recognised as a liability	**259**	242
Representing:		
Finance liabilities		
- Current (note 14)	**115**	113
- Non-current (note 17)	**144**	129
	259	242

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 2016 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 2016 and 30 June 2015.

(b) Segment information provided to the Board of Directors

2016

	Australasia $'000	UK $'000	US $'000	Elimination $'000	Total continuing operations $'000
Total segment revenue	108,794	21,289	27,653	(1,499)	156,237
Inter-segment revenue	(906)	(575)	(18)	1,499	-
Revenue from external customers	107,888	20,714	27,635	-	156,237
Segment result	12,145	2,435	4,444	-	19,024
Interest revenue	703	-	-	(648)	55
Interest expense	(175)	(20)	(655)	648	(202)
Depreciation and amortisation	(1,776)	(353)	(505)	-	(2,634)
Income tax expense	(3,187)	(430)	(1,575)	-	(5,192)
Total segment assets	76,181	9,062	20,501	(15,695)	90,049
Total segment liabilities	17,581	3,878	16,541	(13,379)	24,621
Total segment non-current asset additions	3,434	1,120	3,792	(1,347)	6,999

2015

	Australasia $'000	UK $'000	US $'000	Elimination $'000	Total continuing operations $'000
Total segment revenue	82,060	13,496	19,899	(101)	115,354
Inter-segment revenue	(28)	(4)	(69)	101	-
Revenue from external customers	82,032	13,492	19,830	-	115,354
Segment result	12,151	127	3,847	-	16,125
Interest revenue	535	-	-	(500)	35
Interest expense	(102)	(16)	(516)	500	(134)
Depreciation and amortisation	(1,438)	(238)	(495)	-	(2,171)
Income tax expense	(3,062)	21	(996)	-	(4,037)
Total segment assets	76,056	8,182	17,626	(15,426)	86,438
Total segment liabilities	17,088	3,902	15,535	(13,459)	23,066
Total segment non-current asset additions	2,219	269	1,190	-	3,678

25. SEGMENT INFORMATION (CONTINUED)

(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.*

(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

	2016 $'000	2015 $'000
Segment result	**19,024**	16,125
Interest revenue	**55**	35
Interest expense	**(202)**	(134)
Corporate charges	**(2,581)**	(2,227)
Income tax expense	**(5,192)**	(4,037)
Profit after tax from continuing operations	**11,104**	9,762

26. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

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

- Wayne Sidwell (Executive Chairman)
- Charles Anzarut (Non-executive Director)
- Kerry Smith (Non-executive Director)
- Janette Kendall (Non-executive Director) - appointed on the 27 January 2016

(b) Other key management personnel

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

- Stephen Rees (Chief Executive Officer of Australia & New Zealand)
- Andrew Lumsden (Company Secretary, Chief Financial Officer, Global Chief Operating Officer)
- Michael Bettridge (Managing Director – Asia)
- Chris Grawe (Global Creative Services Director)
- Andrew Sidwell (Managing Director – UK)
- 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.

26. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(c) Key management personnel compensation

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

	2016 $	2015 $
Short-term employee benefits	**3,621,981**	2,753,346
Post-employment benefits	**158,186**	165,979
Long-term benefits	**59,561**	131,255
	3,839,728	3,050,580

(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.

	2016 $	2015 $
Total recognised as revenue	**826,513**	792,845
Total recognised as expenses	**5,691,660**	5,121,733

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 assets	**245,935**	165,239
Current liabilities	**627,798**	571,719

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:

	2016 $	2015 $
Third party superannuation contributions		
Contributions to superannuation funds on behalf of employees	**3,612,042**	3,034,955

(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* 2016	Equity holding* 2015
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 (formally WGI Sub LLC)	United States of America	Ordinary	**100%**	100%
Wellcom Group Ltd	Hong Kong	Ordinary	**100%**	100%

* The proportion of ownership interest is equal to the voting power held.

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

29. BUSINESS COMBINATION

Year ended 30 June 2016 – Acquisition of 'dippin' sauce'

(a) Summary of acquisition

On 1 July 2015 the Group acquired the business and selected assets of 'dippin' sauce' LLC, located in New York, NY, United States of America. The acquisition involved a consideration of $3,136,000 funded through debt and cash reserves. In the event that certain objectives are achieved by the acquired business for the 5 years ending 30 June 2020, estimated additional contingent consideration of $89,000 may be payable in cash. The fair value of the contingent consideration of $89,000 was estimated using discounted cash-flow method, using a discount rate of 10%, the Group's weighted average cost of capital.

The fair value of the assets and liabilities acquired as of 1 July 2015 are as detailed below:

	Fair value $'000
Assets:	
Other current assets - WIP	121
Net identifiable assets acquired	**121**
Purchase consideration	3,346
Net identifiable assets acquired	(121)
Goodwill arising on acquisition	**3,225**

(b) Purchase consideration – cash flow

	$'000
The cash outflow on acquisition is as follows:	
Cash consideration	3,136
Net cash outflow – investing activities	**3,136**

The goodwill is attributable to the workforce and the profitability of the acquired business. It is not expected to be deductible for tax purposes. All transaction costs have been expensed.

29. BUSINESS COMBINATION (CONTINUED)

Year ended 30 June 2016 – Acquisition of Addictive Pixel

(a) Summary of acquisition

On 29 August 2015 the Group acquired the business of Addictive Pixel (Space 66 Limited), located in London, United Kingdom. The acquisition involved a consideration of $608,000 that was fully funded by cash reserves. The consideration was split evenly into two instalments, with an initial prepayment occurring on the 8 June 2015 and final instalment on the acquisition date. There were no material net identifiable assets acquired in the acquisition.

The goodwill is attributable to the workforce and the profitability of the acquired business. All transaction costs have been expensed.

Year ended 30 June 2015 – Acquisition of Thinkbone

(a) Summary of acquisition

On 1 July 2014 the Group acquired the business and selected assets of Thinkbone Pty Ltd, located in Sydney, New South Wales. The acquisition involved an initial consideration of $146,051 that was fully funded by cash reserves. In the event that certain objectives are achieved by the acquired business for the 3 years ending 30 June 2017, estimated additional contingent consideration of $221,000 may be payable in cash. The fair value of the contingent consideration of $221,000 was estimated using the discounted cash-flow method, using a discount rate of 11%, the Group's weighted average cost of capital.

The fair value of the assets and liabilities acquired as of 1 July 2014 are detailed below:

	Fair value $'000
Assets:	
Property, plant and equipment	18
WIP	58
Net identifiable assets acquired	**76**
Purchase consideration	367
Net identifiable assets acquired	(76)
Goodwill arising on acquisition	**291**

(b) Purchase consideration – cash flow

	$'000
The cash outflow on acquisition is as follows:	
Cash consideration	(146)
Net cash outflow – investing activities	**(146)**

The goodwill is attributable to the workforce and the profitability of the acquired business. It is not expected to be deductible for tax purposes. All transaction costs have been expensed.

30. 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.

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:

	2016 $'000	2015 $'000
Contingent purchase consideration liability	**357**	827

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2015: no transfers).

Valuation techniques and inputs used to measure level 3 Fair Values

Refer to note 29, for fair value technique applied at 30 June 2016.

30. FAIR VALUE MEASUREMENTS (CONTINUED)

Reconciliation of Recurring Level 3 Fair Value Measurements

Contingent Consideration	**2016 $'000**	2015 $'000
Balance at the beginning of the year	**827**	-
Additions during the year	**89**	827
(Gains)/losses recognised in profit or loss during the year	**(83)**	-
Settlements during the year	**(504)**	-
Foreign exchange	**28**	-
Balance at the end of the year	**357**	827

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.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Details	**Fair value at 30 June 2016 ($'000)**	**Unobservable Inputs**	**Range of Unobservable Inputs**	**Relationship of unobservable inputs to fair value**
Contingent Consideration	357	Group discount rate	9% - 11% (10%)	A change in the discount by 100bps would increase /decrease the FV by $5,000
		Assumed growth	23%-33% (28%)	A change in the growth rate of 500bps would increase / decrease the FV by $52,000

31. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	2016 $'000	2015 $'000
Statement of Financial Position		
Current Assets	**22,604**	23,288
Total Assets	**77,114**	75,019
Current Liabilities	**16,603**	14,000
Total Liabilities	**17,471**	14,974
Shareholders Equity		
Issued Capital	**38,355**	38,355
Retained Earnings	**21,288**	21,690
	59,643	60,045
Profit for the year	**7,799**	9,849
Total comprehensive income	**7,799**	9,849

31. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

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

As at 30 June 2016, 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 2016 or 30 June 2015.

(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.

32. 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 17 August 2016, the Company declared a final dividend of 13.5 cents per ordinary share, payable from profits for the year ended 30 June 2016. The total final dividend proposed is $5,290,650 and will be franked to 100%. The record date for determining entitlements to the dividend is 2 September 2016 and the payment date is the 16 September 2016.

33. 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
Level 1
333 Collins Street
Melbourne Victoria 3000

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

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

A.C.N 114 312 542

A.B.N 85 114 312 542

The shareholder information set out below was applicable as at 31 August 2016.

a) Distribution of equity securities

39,190,001 fully paid ordinary shares are held by 1,169 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	312
1,001 – 5,000	452
5,001 – 10,000	193
10,001 – 100,000	189
100,001 and over	23
Total shareholders	**1,169**

There were thirty-three (33) holders of less than a marketable parcel of ordinary shares.

b) Substantial shareholders

	Fully paid ordinary shares	
	Number	**Percentage (%)**
Well.com Pty Ltd	17,737,106	45.26%
	17,737,106	**45.26%**

c) Twenty largest holders of quoted securities

	Fully paid ordinary shares	
	Number	**Percentage (%)**
Well.com Pty Ltd	17,737,106	45.26%
Citicorp Nominees Pty Ltd	3,139,722	8.01%
National Nominees Limited	1,478,286	3.77%
JP Morgan Nominees Australia Limited	1,395,480	3.56%
Mirrabooka Investments Limited	1,336,699	3.41%
HSBC Custody Nominees (Australia) Limited	1,251,599	3.19%
Amcil Limited	1,005,059	2.56%
Sandhurst Trustees Ltd	724,633	1.85%
Moggs Creek Pty Ltd	534,513	1.36%
Lawn Views Pty Ltd	430,000	1.10%
Djerriwarrh Investments Limited	400,000	1.02%
Mr Wayne William Sidwell	362,300	0.92%
Almargem Pty Ltd	263,000	0.67%
Kidder Peabody Pty Ltd	259,325	0.66%
Mrs Melinda Karen Tickel	200,000	0.51%
BNP Paribas Noms (NZ) Ltd	155,164	0.40%
J & P Chick Pty Limited	150,000	0.38%
Mr Erik Adriaanse	150,000	0.38%
Dr Gordon Shinewell & Mrs Fay Shinewell	130,000	0.33%
Mr Ian Harold Holland	115,200	0.29%
	31,218,086	**79.66%**

CREDITS

DESIGN AND ARTWORK	WELLCOM GROUP LIMITED	
PRE-MEDIA	WELLCOM GROUP LIMITED	
RETOUCHING	WELLCOM GROUP LIMITED	
PRINT MANAGEMENT	WELLCOM PRINT MANAGEMENT	
DIGITAL PHOTOGRAPHY	WELLCOM GROUP LIMITED	
PRINTING	DIGITAL HOUSE (A DIVISION OF THE WELLCOM GROUP LIMITED)	
COVER	SOVEREIGN SILK*	
FRONT SECTION	KNIGHT WHITE SMOOTH*	
FINANCIAL SECTION	ECOSTAR 100% RECYCLED*	

* FSC Sustainably Certified Paper Stock

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