WELLCOM GROUP LIMITED
ANNUAL REPORT

WELLCOM GROUP LIMITED 2011 ANNUAL REPORT

2011

wellcom

WELLCOM WORLDWIDE

PROTECTING OUR ENVIRONMENT

Wellcom is a technology based marketing production company with operations in Sydney, Melbourne, London, Singapore, Kuala Lumpur, and Auckland.

We create, manage and deliver content for retailers, corporations and advertising agencies.

We bring big **ideas to life** through:

- clever design and production
- technology
- client trust
- environmental sustainability.

WELLCOM GROUP LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

A.C.N 114 312 542

Mission Statement

"Set the standards of excellence.

No compromises.

Sense of urgency.

Attention to detail.

Take the time,
drive hard,
get the facts.

Have some fun."

CONTENTS

Dear Fellow Shareholder

As we enter into our second decade as a global organisation, we find ourselves beginning a new and exciting era. I call this joining the dots. Put simply it means that new business gains in one country or even one market, are beginning to open up new business opportunities in other global markets. These opportunities have been the result of a combination of strategies including new business, acquisitions and organic growth.

As the dots are connected, they also become more concentrated – the larger the dots, the higher the concentration, the higher the sales value. This is traditional upsell in its purest sense, and in turn it creates growth, and increases shareholder value. What makes this special for me is the fact that it's not isolated to any one territory, as it includes Australia, New Zealand, Asia as well as the UK.

This has been deliberate. It's all part of the 2009 global strategy and represents one of the highlights of our 2011 result.

The divestment of Cadillac Printing saw a re-focus on core business. The proceeds of the sale are reflected in the Group's strong bottomline liquidity position, and this is further reflected in an increase in profit result over the same period.

There were very good reasons for this and they included:

1. Our continued proactive management of each office within the Group. This includes a series of performance indicators against forecast.
2. Maintaining an extremely tight fiscal policy with strong emphasis on cost and cost reduction.
3. The monitoring of economic circumstances in the UK, as well as the two-speed Australian economy.
4. Carefully managing organic growth and new business opportunities within current cost thresholds.

We are pleased to announce the acquisition of Mission Possible UK which further leverages our UK and Asian operations. This also affords us real potential to capitalise on further opportunities in other Wellcom regional offices. We have examined many businesses this year and Mission is a perfect fit at the right time and in the right space.

This past year saw a new paragraph written with the advent of a new Senior Management Inclusion Policy that set specific business tasks for the senior management committees to complete. Once finalised they represented draft business plans that were presented to the Board for approval. They covered marketing, cross-sell, cross-divisional production and remuneration policies. All were signed off by your Board and will be implemented during 2011-12.

New business has been positive with solid gains in the financial sector. Organic growth continues strongly and emanated directly from our TFMs (hubs) with a further increase of 3% to 67% of turnover.

Our environmental and sustainability credentials have been further strengthened by the latest Knowledgewell software upgrade. This has taken process and workflow to the ultimate echelon in creating the paperless office.

Added to this we will launch our updated and comprehensive environmental policy document later this year.

Cashflow remains extremely positive, and our debt level also reflects our very strong financial position. As a result we're pleased to announce a full year dividend increase of 18% to 16.5 cents per share.

2012 predictions indicate further turbulence globally. During the past GFC our financial position remained very strong. It remains so today. We weathered the storm. Your Board's continued fiscal management will continue. We are confident that our combination of cost management, potential and further acquisitions, and business growth, will provide a solid 2012 result.

On behalf of all shareholders I would like to thank Wellcom's loyal clients and our dedicated staff for their ongoing support. This year has seen a very pleasing result and we have delivered to plan. We are cautiously optimistic about the year ahead.

Your faithfully,

Wayne Sidwell
EXECUTIVE CHAIRMAN

> **“CASHFLOW REMAINS EXTREMELY POSITIVE, AND OUR DEBT LEVEL ALSO REFLECTS OUR VERY STRONG FINANCIAL POSITION. AS A RESULT WE'RE PLEASED TO ANNOUNCE A FULL YEAR DIVIDEND INCREASE OF 18% TO 16.5 CENTS PER SHARE.”**

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"YOUR BOARD'S CONTINUED FISCAL MANAGEMENT AND RISK AVERSION POLICY HAS MAINTAINED ZERO DEBT LEVELS. AS A RESULT THE BUSINESS IS WELL POSITIONED FOR FURTHER SYNERGISTIC ACQUISITION OPPORTUNITIES AS THEY PRESENT THEMSELVES."

KERRY SMITH
NON-EXECUTIVE DIRECTOR

WAYNE SIDWELL
EXECUTIVE CHAIRMAN

CHARLES ANZARUT
NON-EXECUTIVE DIRECTOR

FINANCIAL HIGHLIGHTS

“GOOD RESULTS IN LINE WITH FORECAST ACROSS THE BOARD. REVENUE UP, NET PROFIT UP, IMPROVED OPERATING MARGINS.”

HIGHLIGHTS FOR 2010 – 2011

- Sales revenue from continuing operations increased to $57.25M, up 5% year on year
- Net profit after tax from continuing operations increased to $9.15million, up 19% year on year
- Statutory net profit after tax increased to $9.62million, up 26% year on year
- Improved Group operating margins
- No net debt
- Full service TFM (Hubs) offer grew to 67% for the Group (up from 64% in FY10)
- UK pre-media business returned to consistent profitability
- Asian bases firmly established in Singapore and Malaysia
- Exited sheet fed and web printing, now pure digital media
- Acquisition of balance of iPrint Corporate Pty Ltd shares
- Increased focus on development of the Knowledgewell software suite
- Operational cash flow remains strong
- Full Year Dividend increased by 18%

RESULTS - GROUP

SHAREHOLDER EARNINGS UP 26%, WITH 100% FULLY FRANKED DIVIDEND PAYMENT OF 16.5 CENTS PER SHARE.

FROM CONTINUING OPERATIONS	2011 $M	2010 $M	CHANGE %
REVENUE	57.25	54.62	+4.8
EBITDA	13.82	13.00	+6.3
UNDERLYING EBITDA MARGIN	24.1%	23.8%	
DEPRECIATION/AMORTISATION	1.97	2.55	-22.7
EBIT	11.85	10.45	+13.4
EBIT MARGIN	20.7%	19.1%	
NET INTEREST INCOME/ (EXPENSE)	0.28	-0.03	
NET PROFIT BEFORE TAX	12.13	10.42	+16.4
TAXATION	2.98	2.76	
NET PROFIT AFTER TAX	**9.15**	**7.66**	**+19.5**
PROFIT FROM DISCONTINUED OPERATIONS AFTER TAX	**0.47**	-	
STATUTORY PROFIT AFTER TAX	**9.62**	**7.66**	**+25.6**

EARNINGS	2011 ¢	2010 ¢	CHANGE %
EARNINGS PER SHARE (EPS) FROM CONTINUING OPERATIONS	23.34	19.55	+19.4
EARNINGS PER SHARE (EPS) FROM DISCONTINUED OPERATIONS	1.22	-	-
EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	24.56	19.55	+25.6
DIVIDEND PER SHARE	16.5	14.0	+17.9
FRANKING (%)	100	100	

RESULTS - SEGMENTS

SIGNIFICANT RESTRUCTURES, HAVE FOCUSSED WELLCOM'S CORE BUSINESS AWAY FROM WEB AND SHEET FED PRINT.

Pre-media Australasia

- Organic sales growth of 5% notwithstanding strategic exit from Queensland print sheet fed market.
- Increased investment in software development.
- Small start up losses in Asia.
- DSO from 48 days (June 10) to 44 days (June 11)

AUSTRALASIA	2011 $M	2010 $M	CHANGE %
REVENUE	51.47	48.96	+5
SEGMENT RESULT	12.07	12.16	-1
MARGIN %	23.4	24.8	-6
JV (iPRINT)	0.97	1.01	-4
RESULTS FROM OPERATIONS	13.04	13.17	-1
MARGIN %	25.3	26.9	-6
STAFFING	281	244	+15

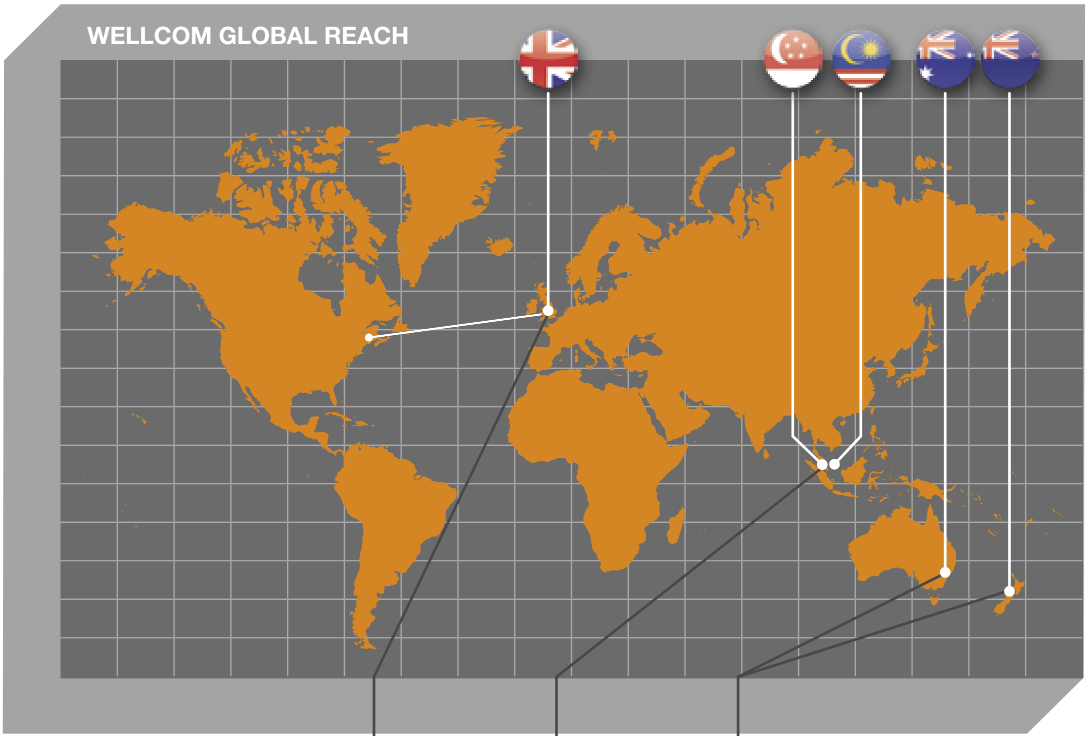
Pre-media United Kingdom

- Organic sales growth of 2%.
- Consistently profitable.
- Management team now settled. Development team employed.
- Knowledgewell now actively marketed.
- Cost base complements current activity.
- DSO from 55 days (June 10) to 34 days (June 11)

UNITED KINGDOM	2011 $M	2010 $M	CHANGE %
REVENUE	6.65	6.49	+2
SEGMENT RESULT	0.73	(0.58)	+225
MARGIN %	10.9	(9.0)	+221
STAFFING	45	42	+7

WELLCOM WORLDWIDE

WITH SOME SEVENTY CLIENTS ACROSS THE GLOBE, WELLCOM CAN OFFER OVER ONE HUNDRED PRODUCTS AND SERVICES, AS WELL AS THE MOST SOPHIST-ICATED AND ENVIRONMENTALLY FRIENDLY SUITE OF MARKETING SOFTWARE SOLUTIONS.



This diagram identifies Wellcom's global penetration.

Of note is the arrow from Wellcom London to the US. This recognises the in-roads that the UK operation is making into the US marketplace with high profile clients DKNY and Laird and Partners.

CLIENTS

- Selfridges e-Commerce
- HSBC Bank
- Redwood Publishing Ltd
- Independent Print Ltd
- DKNY (U.S client)
- Donna Karan Inc (U.S client)
- Laird & Partners (U.S client)
- Harlequin UK Ltd
- GAP
- Phase Eight
- The Automobile Association
- National Savings & Investments
- De Beers Jewellers
- Independent Print Ltd
- Marks and Spencer
- Selfridges Retail Ltd
- Daks Simpson Ltd
- VCCP Blue
- Links of London
- CUBO
- Net-A-Porter
- Bogle Bartle Hegarty Advertising

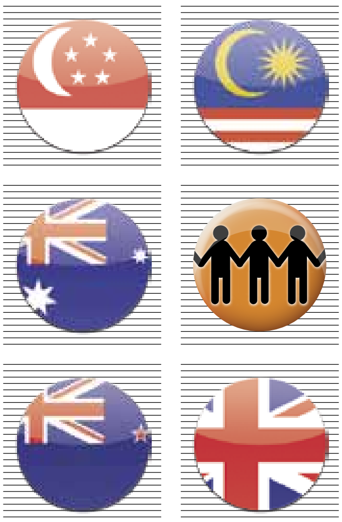
- Courts Megastores Singapore
- Courts Megastores Kuala Lumpur
- Bogle Bartle Hegarty Advertising

- Woolworths
- Australia Post
- ANZ Bank
- Westpac
- Citibank
- Bank of Melbourne
- American Express
- BT Financial Services
- St.George Bank
- Bank of South Australia
- BP Australia
- Pacific Brands
- API Priceline
- Repco Australia
- BWS
- Crown Casino
- Danks
- Bevilles
- Cadbury
- L'Oréal
- Harris Scarfe
- Samuelson Talbot & Partners
- M&C Saatchi
- David Jones
- DSE (Dick Smith Electronics)
- Ford Australia
- It's The Thought That Counts
- Toys 'R' Us
- Burnett
- Optus
- Liquor Marketing Group
- Sigma Pharmaceuticals
- Dan Murphys
- House
- Masters Home Improvement (Woolworths)
- AMP (NZ)
- Dick Smith (NZ)
- Repco (NZ)

"BUSINESS RESTRUCTURES IN 2010 WERE IMPLEMENTED AND LED TO THE CHANGE IN FOCUS TOWARDS CORE DESIGN AND DIGITAL TECHNOLOGY SOLUTIONS."

ACROSS THE GLOBE

"We have strengthened our focus globally through new business development and strong fiscal management. The UK operation is now profitable through restructuring and new business activity. The foundations of our Asian business are now established and we are optimistic about the growth potential in the Asian region. The acquisition of Mission Possible advances further promotes our hubs' presence in London and Singapore." **WAYNE SIDWELL** EXECUTIVE CHAIRMAN



2010-11 saw a complete Australasian division restructure that took in cost and resource containment, supply chain reviews, management reviews, and increased Knowledgewell resourcing for new project development. The culmination of work has identified efficiencies at all levels of the Australasian operations.

Specifically these included:

- Faster and better resourced Knowledgewell development.
- A specific and targeted organic growth strategy.
- Dedicated point-to-point fibre optic high-speed links between offices globally.

Amongst the re-focus on core activities, Wellcom exited from sheet fed and web printing in preference for the more environmentally friendly digital print solutions alternative.

iPrint (the 50% joint venture with Australia Post) was purchased outright by Wellcom and rebranded Wellcom Print Management Services.

This year saw identifiable and increased value-add services emanating out of existing clients. This culminated in a 5% increase in organic growth from an inventory of over 100 products and services.

Financially our cash position is strong with approximately $18 million cash on hand. We hold no debt and the net tangible asset share has increased by 4% to 52.56 cents and total dividends increased by 18%, with a maintained payment ratio.

Total Facilities Management (TFMs)

Continuing the trend of the last few years, our TFMs (hubs) have dominated the Group's growth landscape and now equates to 67% of revenue (up 3% from the previous year) and this will further increase.

The majority of the Group's upsell opportunities can be traced back to this service offering alone.

Hubs and design services are the cornerstone of Wellcom's service offerings. The hubs offering represents 50% of Wellcom services and this is growing. Typically, clients are

ACROSS THE GLOBE

"I'm satisfied with the results we have achieved in all our regional offices. Each has performed admirably and my expectation is that it will continue. We have maintained our strong cash position with no net debt and similar to the Mission Possible purchase, we are ready to pursue additional synergistic acquisitions around the globe. Knowledgewell will launch its Next Generation version in 2012." **WAYNE SIDWELL** EXECUTIVE CHAIRMAN

appreciating the availability of comprehensive media within their office including websites and banners, eNewsletters and digital point-of-sale.

Knowledgewell

Wellcom's proprietary suite of software tools expanded in terms of upgrades and client user numbers. Having completed the major management review in terms of scoping and resource planning for ongoing development, 2010-11 saw its first rollout. The beta version of the new Online Approval and Workflow software was launched with stage one going live in early 2011. In 2011-12 the next generation will be launched that will completely reinvent workflow management and create a carbon neutral and environmentally sophisticated paperless office, as well as other financial reporting features.

Wellcom Australasia

This division takes in Australia, New Zealand, Singapore and Kuala Lumpur. Strong new business in all territories including significant gains in New Zealand with AMP and Dick Smith Electronics (NZ), and excellent new business gains in Australia, being just some of the highlights. This year was a foundation year with the preparation and rollout of Knowledgewell and the anticipated new version for 2011.

Asia saw a small trading loss in its first full trading year as was anticipated.

We expect the forthcoming year will see this turnaround in line with anticipated growth from this region.

Wellcom London

The UK business has turned around and remains sustainably profitable. Considerable work has been done during what was (and remains) a difficult economic chapter in European financial history.

Good growth revenue, increased margins and substantially greater cost management have improved the regional result with a $1.3 million turnaround in this financial year.

Acquisition

One of Wellcom's most strategic acquisitions took place on the back of the Bogle Bartle Hegarty Advertising (BBH) business win in Singapore. This was the purchase of Mission Possible. The English based company provided hub and production services to BBH in London. Following this acquisition, and combined with Knowledgewell, Wellcom now offers a total turnkey solution for BBH.

Environment

Knowledgewell leads our push into a carbon neutral workflow and this is reported in depth on page 16.

"THE STRATEGIES EMPLOYED IN 2009-10 TOOK EFFECT AND UK BUSINESS IS BACK TO PROFIT. KNOWLEDGEWELL TECHNOLOGY UPDATE IS ON SCHEDULE FOR 2012 LAUNCH."

PLANNING FOR 2011-12

OUR 2009-10 FOCUS HAS BEEN ON STRATEGIES THAT ADD VALUE – NOW AND INTO THE FUTURE.

"The right strategies are the key to our future. Your Board exhaustively scrutinises each and every strategy put forward by senior management. Our focus has been on strategies that add value – now and into the future. Our recent acquisition of Mission Possible is one such outcome and this will move us towards further new business opportunities. All in all it's part of our joining the dots focus globally." **WAYNE SIDWELL** EXECUTIVE CHAIRMAN

The impact on businesses in today's marketplace, regardless of market sector or region, is like no other time in history. Communications are now instantaneous. With adverse economic conditions remaining in the US and Europe, Wellcom's key focus remains steadfastly on cost management, productivity through Knowledgewell, new business and an ongoing and a synergistic acquisition policy. This is the broad macro agenda that the Wellcom Board has sanctioned.

Key Strategies 2011-12

- A strong Asian focus to capitalise on this resilient and vibrant market. The strategy is simple – increase productivity through Knowledgewell, maintain our upskilling policy and grow the business based on the current blue chip client list.
- The BBH business and the Mission Possible acquisition add the infrastructure to make this strategy the launch platform for 2012 in Singapore and London.
- A strong push into the US market through current strategic relationships out of the UK.
- The launch of the most comprehensive and complete Knowledgewell software to date. It takes this proprietary software beyond anything seen to date. Furthermore it offers clients a carbon neutral workflow for clients whose very credentials depend on such tools.
- Key policy on building relationships in one region and then extending the relationship to other regions. This has already been achieved with Repco into NZ, Dick Smith into NZ, BBH into London and alliances in the US.
- Wellcom London is building relationships with US based companies wanting to fulfil in Asia and Europe.
- Organic growth through the introduction of Wellcom's products and services through upsell and cross-sell initiatives.
- Further hubs push into retail, corporate and manufacturing businesses.
- Further and detailed look at acquisition options are being looked into globally.

NEW BUSINESS

CAPITALISING ON NEW BUSINESS

"NEW BUSINESS WINS HAVE BEEN A MATTER OF CAPITALISING ON OPPORTUNITIES WHENEVER AND WHEREVER THEY AROSE."

"2010-11 has been a year that has seen strong new business growth. But more importantly, it has been a year for setting the foundations for new business and strategic development. This is not isolated to one particular Wellcom region, but spread amongst the entire Wellcom Group. It's been a matter of capitalising on the opportunities and winning new business. These are exciting times for the Wellcom Group." **WAYNE SIDWELL** EXECUTIVE CHAIRMAN

Having established our vital footprint into Asia through our Singapore and Kuala Lumpur offices, we have developed a relationship with one of the biggest and highest profile international advertising agencies in the world, Bartle, Bogle, Hegarty (BBH). This has established our third Asian hub and includes a complete Knowledgewell software services offering. BBH handle some of Asia's biggest brands and the Wellcom Group offers the agency an ideal supportive role.

Having proven our credentials with BBH, the Wellcom Group relationship has since been extended to BBH UK. This is strategically important business for the Group as it represents a significant new business for Wellcom London and extends the UK business model into a full production and Knowledgewell hub.

In Australia, new business has been strong in many industry sectors.

In financial services the list included Citibank, BT Financial and American Express. In retail it included Dan Murphy's, Liquor Marketing Group, House and Woolworths new hardware venture Masters Home Improvement. In pharmaceuticals, Sigma has been added to our client list.

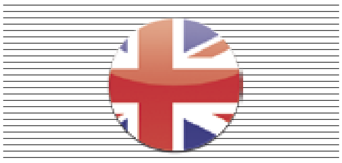
In New Zealand, the Auckland office picked up very impressive new business gains with AMP (NZ) and Dick Smith Electronics (NZ).

There are two very important aspects to these wins. Firstly, all are considerable blue chip account wins and secondly, they are taking us on a path for further new business advancement in the UK and the US, as well as Australasia and New Zealand.

OUTLOOK FOR 2012

CONTINUED COST MANAGEMENT AND BUSINESS GROWTH SHOULD PROVIDE FOR A SOLID 2012 RESULT.

"Predictions for 2011-12 point to a possible slowing economic outlook. There are also the current and potential imbalances in economic performance in the US and Europe, while locally we are subjected to the two-speed economy. Asia is doing well and I believe it will remain so. Regardless, a good deal of work has been done in all markets to consolidate our business and maintain revenue and margin." **WAYNE SIDWELL** EXECUTIVE CHAIRMAN

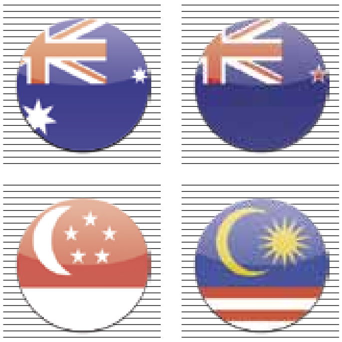


Wellcom UK Pre-media

The London office has successfully made in-roads into the American market with Donna Karan/DKNY and advertising agency Laird and Partners. London is also receiving both UK and European enquiries on setting up Asian connections through Wellcom's Asian offices. This places London at the epicentre of potential new work and new business connections within America, as well as funneling relationships into Wellcom Asia.

The acquisition of Mission Possible has been a quiet coup for both Wellcom UK and Wellcom Singapore. The one single purchase has launched two hubs, one running out of BBH London and one running out of BBH Singapore. Mission Possible is a business that operates production and studio hubs for BBH. We had already engaged BBH to a Knowledgewell relationship in Singapore, and it was a natural progression that their studio and production hub business should also be linked through the Wellcom Group.

This now gives Wellcom serious bona fides in both markets for future hub rollouts. The last point on this acquisition is that Knowledgewell will underpin both the BBH London hub, as well as the BBH Singapore hub. In summary we believe London is on course for a solid 2011-12.



Wellcom Australasia Pre-media

The continued growth in hubs with steady growth year on year of around 3-4% will continue. Under the two-speed economic situation in Australia, only two market sectors manage to remain unscathed. These are the resources and financial sectors. Wellcom has picked up further new financial clients and now services Westpac, ANZ, Bank of South Australia, St George, Bank of Melbourne, Citibank, BT Financial Services, AMP (NZ) and American Express. This is a fine achievement and we believe we can grow on this further.

Retail catalogues remain popular. Current research points to these remaining so for 2011-12. We are the biggest builders of catalogues in the southern hemisphere and although the retail sector is currently down, all indicators are for a continued 'business as usual' Christmas production spend.

Knowledgewell

Knowledgewell is Wellcom's proprietary software. It is the organisation's DNA.

In 2010 we undertook a total management restructure of Knowledgewell deployment and business model. Part of this change of direction was to work with clients to determine the next Knowledgewell software specification.

We're proud to announce that the build has been steadily taking place this year and the full rollout is scheduled for late 2011. The Next Generation software literally manages entire campaigns or catalogues through a host of features including digital signatures for approvals, financial planning, versioning by territory, and product selection via the image library. Included in the planning cycle is the ability to interconnect teams, delegate responsibilities, and post time lines and milestones. But one of the very best features is its environmental credentials through the creation of a paperless office.

Total Facilities Management (TFMs) - Hubs

Along with Knowledgewell this is the backbone product offering of the entire Group. Hubs return 67% of total revenue and have grown annually. This year we are joining the dots with hubs in London, Auckland, Singapore and Malaysia. For next year all of these hubs will have a proven history and will become the benchmark from which to upsell and create new business opportunities.
The steady increase in products and services offered by hubs globally assures continued organic growth moving forward.

Summary

We are quietly optimistic for 2011-12. We base this on the fact that:

- we have done the hard yards by completing the necessary business restructures and cost management policies
- we can then meet any challenges in the next financial year.

Our increased list of products and services present further opportunities for organic growth, with specific opportunities in the online space. Not only can Wellcom service the bricks and mortar retail client, but we are now equally adept to service the virtual shop-front client using the same data input.

Supported by a strong cash position, the Wellcom Group is in a much better position than at anytime in our history. But this process is not over and part of what we learnt along the way is that we must remain fluid, challenge ourselves through constant review processes, and be open to change.

Our joining the dots policy will reap dividends based on:

- incursions into the US out of Wellcom London;
- solid enquiries out of Europe and the UK for global brand fulfilment;
- global hub rollouts based on existing hub benchmarks;
- new Knowledgewell Next Generation launch;
- meaningful dialogue with potential new business clients globally.

> **“WE MUST REMAIN FLUID, CHALLENGE OURSELVES, AND BE OPEN TO CHANGE IN 2011-12.”**

"

WE CONSIDER THAT WHEREVER WE CAN MINIMIZE OUR CARBON FOOTPRINT, SUCH IMPLEMENTATION, WILL ALWAYS BE ADDRESSED.

"

"We believe as an organisation that the effects of climate change will create potential economic, social and environmental consequences in the future. We consider that wherever we can minimize our carbon footprint, such implementation, will always be addressed. This is Group policy and extends to all future acquisitions, and includes accreditation of our supply chain."

WAYNE SIDWELL EXECUTIVE CHAIRMAN

Global Positioning Impact Statement

The Wellcom Group will publish its Environment Policy 2.1-11 in late 2011. Wellcom identifies that its operations have a direct and indirect bearing on our environment. With any business that consumes the world's resources in terms of electricity and gas, every effort is made to find other means of delivering or at least minimising such consumption wherever practicable. This includes recommendation to clients on the use of FSC and recycled paper or the use of Wellcom's Knowledgewell paperless office software.

Global compliance

The Wellcom Group is dedicated to guaranteeing compliance with environmental legislation relevant to all countries in which it operates.

Extending our climate control position

The Wellcom Group is dedicated to reducing and measuring greenhouse emissions with the view to reduce such emissions wherever practicable.

Wellcom will engage with suppliers, clients, regulators and stakeholders wherever possible, to foster and encourage a greater understanding of the management of climate change and its ongoing sustainability issues and impacts.

Managing our direct environmental impact

We will monitor our energy use and greenhouse emissions with the express intention of reducing consumption wherever possible. This includes a specific company policy manual to manage this task. We will invest in energy efficient technologies including the company's Knowledgewell software. We will minimise waste through thorough segmentation and grouping of waste into correct disposal channels.

We will continue to accredit our supplier chain with preference wherever practicable for like-minded environmental and policy driven suppliers.

We will guarantee that the physical space in which we work optimises best environmental performance.

Managing our indirect environmental impact

Wellcom products and services are managed using Knowledgewell paperless office software. We will recommend to clients who order digital print, the options for FSC or totally recycled paper stocks.

Wellcom Group policies

Wellcom will engage suppliers to offer commentary on their environmental improvements and progress as it impacts the working relationship with the Wellcom Group.

We will run environmental bulletins to inform staff of power saving policies and initiatives.

Wellcom will report at least annually to shareholders as to the Wellcom Group's environmental performance.

We will continue to monitor and accredit the environmental policies and/ or performance of our supplier chain network.

Wellcom Group corporate governance

The Wellcom Group Chief Operating Officer and the newly formed Executive Environmental Committee will be responsible for conducting and implementing policy and reporting this to the Board regularly.

This committee will be responsible for the successful implementation and maintenance of the policy into all business units. This committee will conduct an environmental audit at least annually and report the findings to the Board.

Changes to Group policy

The Executive Environmental Committee will report any issues arising out of an audit or acquisition, or Wellcom Hub to the Board.

WHERE WE FIT IN THE FOODCHAIN

AGENCY

• Strategy • Creative • Brand Development

WELLCOM

• Design • Artwork • Pre-media • Photography • Packaging • TV • Online • Distribution

"The diagram above shows the delineation between the advertising agency model and the Wellcom model. We believe this delineation is self-evident. Whereas agencies provide long term strategic planning and 'big ideas', Wellcom on the other hand is a design and production business."

WAYNE SIDWELL EXECUTIVE CHAIRMAN

Design Services

Wellcom crosses many different design disciplines offering the highest quality design standards. Some are cutting edge, some are more traditional, but regardless of the type of design genre, there remains one common aspect and that is Wellcom's quality, experience and knowledge.

Artwork & Adaptations

Adaptive art is where an originating client creative design or idea is taken and adapted for multiple marketing campaigns including extensions to other media. One brief in – many outcomes out.

Client-based Hubs

Client-based hubs are a premium Wellcom service offering. A hub is a studio production facility situated inside a client's organisation. This could be a head office location or multiple client locations. Hubs are tailored to meet any client's requirements and work directly with client advertising and marketing teams.

Photography

Wellcom has world-class studios across the globe catering for any style of photography from fashion, to food, to product, to lifestyle and specialist web 360 degree capture. All studios have full styling capabilities with facilities for hair and make-up, and food preparation.

Knowledgewell Software

Wellcom's own proprietary enterprise level software is used by retailers, corporations and advertising agencies. It has significantly broken new ground by reducing a client's direct and indirect labour costs through online workflow and inclusive stakeholder and approval administration.

Video & Moving Images

Wellcom has a dedicated video and television production division. We can provide everything from turnkey creative TVCs and videos, radio, production management to total in-house post-production services.

Online & Digital

Wellcom has Online Digital teams located across the globe working with clients in various capacities. This includes websites, microsites and loyalty databases, eCommerce and online shopping, banners, eNewsletters, eCatalogues, viral campaigns, social networking, DVD design, authoring and digital point-of-sale applications.

Pre-media To Print

Pre-media is the last stage in the overall marketing print process. Wellcom offers quality assurance, scanning, digital delivery to media, digital proofing, digital sends, CTP (computer-to-plate), and digital print (both large format or personalised and variable print).

Creative Production

Creative production is creative illustration. One part post-production, one part digital illustration and rendering. We draw the fine line between photography and illustration. The result is photo-like imagery that can also be cleverly animated.

"WELLCOM OFFERS A VAST ARRAY OF PRODUCTS AND SERVICES TO DRIVE EFFICIENCIES, AND REDUCE COST AND TIME TO MARKET."

> **WITH OVER 100 PRODUCTS AND SERVICES ON OFFER, ORGANIC GROWTH WITHIN ALL REGIONS WILL INCREASE.**

OVER 100 PRODUCTS & SERVICES

Environment

The Wellcom Group has made a commitment to deliver environmentally friendly products and services to clients globally. Our proprietary software Knowledgewell leads the way and is now a paperless software solution option for environmentally conscious clients.

Design Services

Graphic Design
Corporate I.D
Package Design
Packaging - Polypropylene
Packaging – Blister Packs
Packaging - Card
Packaging - Cardboard
Packaging - Cellophane
Websites
TVCs
Radio
Annual Reports
IPO - Prospectus
Stationery
Point-Of-Sale
Outdoor/Transit
Design - Press
Design - Print
Copywriting
Copywriting - Press
Copywriting - Print
Copywriting - Online
Proofreading
Direct Marketing
Catalogue Design
Catalogue Production
Client Publishing
Multilingual Publishing
In-Store P.O.S
Poster Design
Brochure Design
Campaign Design
Outdoor/Billboard
Metrolite Design
Tram & Bus Transit Design

ENVIRONMENTALLY FRIENDLY

Artwork & Adaptations

Agency supplied creative
Re-sizings for campaigns
Press & Print to Online
Catalogue to Online
Catalogue to Press
Catalogue to P.O.S
Catalogue to LAM
Press & Print to P.O.S
Artwork to Sales Presenters
Cross-media Adaptations.
LAM Adaptations
Multilingual Adaptations
TVC to Online
Photography to Online

ENVIRONMENTALLY FRIENDLY

Client-based Hubs

Corporate Hubs
Retail Hubs
Advertising Agency Hubs

ENVIRONMENTALLY FRIENDLY

Photography

Fashion
Product
Food
Lifestyle
Daylight Studio
Web Specific
360 Degree
Styling
Image Libraries
Asset Management
Studio Facilities
Retouching
Colour Correction
Online Approval

ENVIRONMENTALLY FRIENDLY

PRODUCTS & SERVICES

"THE WELLCOM GROUP HAS MADE A COMMITMENT TO DELIVER ENVIRONMENTALLY FRIENDLY PRODUCTS AND SERVICES TO CLIENTS."

Knowledgewell Software

- Page Planner
- Catalogue & Ad Builder
- Printwell - Campaign Management
- Online Approval
- Image & Asset Libraries
- Online Guardbook
- Product Style Editor
- Media Delivery Service
- Brand Central Document Browser
- Local Area Marketing
- Ticketing
- Retailer Software
- Franchise Marketing Software
- Corporations Software

ENVIRONMENTALLY FRIENDLY

Moving Images

- TVC Creation
- TVC Art Direction
- TVC Production
- TVC Post-Production
- TVC Editing
- 3D & 2D Animation
- Radio Ads Creation
- Radio Post-Production
- Voice Overs
- Sound & Post Prod.
- Radio & Video/TVC Scripting
- Digital Sends to Media
- Video - Corporate
- Video - Educational
- Video - Sales Promo
- Video - Post Prod.
- Time Lapse Video
- Jingles
- Video Storage Library

ENVIRONMENTALLY FRIENDLY

Online & Digital

- Websites
- Microsites
- Banners
- In-Store Digital P.O.S
- eNewsletters
- eCatalogues
- eCommerce/Online Stores
- Programming
- Social Media
- Online LAM
- Online Approvals
- Product Databases
- Image Libraries
- Project Management
- DVD Design & Authoring
- DVD & CD Replication

ENVIRONMENTALLY FRIENDLY

Pre-media to Print

- Pre-media
- Colour Management
- Retouching
- Pre-Flight Checks
- Quality Assurance
- Scanning
- Digital Sends
- Computer-To-Plate
- Client Printer Profiling
- Asset Libraries
- Online Guardbook
- Digital Proofing
- Digital Print
- Large Format Print
- Variable Data Print
- Personalised & DM Print
- Print Management
- DM Print
- Sequential Numbering
- Print Audits
- P.O.S Digital Print
- Multi-Version P.O.S
- K.I.P Multi-version Digital Press

ENVIRONMENTALLY FRIENDLY

Creative Production

- 2D Illustration
- 3D Illustration
- 3D Rendering
- Creative Retouching

ENVIRONMENTALLY FRIENDLY

SENIOR MANAGEMENT TEAM

The Wellcom Worldwide Senior Management Team is responsible for around 350 staff across offices in London, Singapore, Kuala Lumpur, Sydney, Melbourne, Adelaide and Auckland.

STEVE REES
CHIEF OPERATING OFFICER
WELLCOM AUSTRALIA

JULIAN GRAHAM
COMPANY SECRETARY & CHIEF FINANCIAL OFFICER
WELLCOM CORPORATE

MICHAEL BETTRIDGE
STRATEGY & GLOBAL NEW BUSINESS DEVELOPMENT OFFICER
WELLCOM WORLDWIDE

CRAIG BEVAN
GENERAL MANAGER
WELLCOM NSW

CHRIS GRAWE
MANAGING DIRECTOR
WELLCOM UK

ANDREW SIDWELL
GENERAL MANAGER
WELLCOM VICTORIA

MELINDA PHILLIPS
GENERAL MANAGER
WELLCOM PRINT MANAGEMENT SERVICES

GIANNI CARRARO
GENERAL MANAGER
DIGITAL HOUSE

2011 FINANCIALS

YEAR ENDED 30 JUNE 2011

WELLCOM GROUP LIMITED

PROTECTING OUR ENVIRONMENT

A.C.N 114 312 542

WELLCOM GROUP LIMITED

2011 FINANCIALS
THE YEAR ENDED 30 JUNE 2011

CONTENTS

All figures in this Annual Report are in Australian Dollars unless otherwise nominated.

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 below. All these practices, unless otherwise stated, were in place for the entire year. They comply with the August 2007 ASX *Principles of Good Corporate Governance and Best Practice Recommendations.*

Principle 1: Lay solid foundations for management and oversight

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and key stakeholders and to ensure the Group is properly managed.

Role of the board

The board's role is to provide strategic guidance and effective oversight of management. It is ultimately accountable to shareholders for the management and direction of management and of the business of the Group and therefore, has ultimate authority over management.

In carrying out its role and exercising its powers, the board acts in accordance with the letter and spirit of the law and the Company's Constitution. It acts honestly, fairly and with integrity in accordance with the Company's policies, codes of conduct and ethical and other standards and in a manner which will create and develop sustainable value for shareholders. It has regard to the interests of the Company's stakeholders, its employees, suppliers, customers or other stakeholders and the general community.

Responsibilities of the board

In performing its role, the board undertakes the responsibility for:

- the oversight of the Company, its business, activities, corporate governance and internal controls, including the development of its commercial, strategic and financial objectives and the monitoring of the implementation and execution of those objectives;
- the responsibilities of a nomination committee, including the composition of the board, including appointment and retirement or removal of directors and succession planning;
- the review and oversight of the operation of systems of risk management, internal compliance and control, codes of ethics and conduct, legal and regulatory compliance;
- the monitoring of senior management's performance and implementation of strategy, including ensuring appropriate resources are available;
- approval of major capital expenditure, capital management, acquisitions and divestitures and consequential monitoring of their progress;
- performance of investment and treasury functions;
- monitoring industry developments relevant to the Group and its business;
- development of suitable key indicators of financial performance for the Group and its business;
- input into, and final approval of, management's development of corporate strategy and performance objectives;
- establishment and oversight of committees to consider such matters as the board may consider appropriate, including audit matters, finance and business risks, remuneration and nominations and the establishment of a framework for the effective and efficient management of the Group; and
- any and all other matters reserved to it by law.

Principle 2: Structure the board to add value

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the Company website at www.wellcom.com.au. The charter details the board's composition and responsibilities.

Composition of the board

The Company's corporate governance charter requires the board to comply as far as practicable with the following requirements regarding its composition:

- the board must comprise members with a range of experience, expertise, skills and contacts relevant to the Group and its business;
- there must be at least three (3) directors appointed in accordance with the Constitution of the Company which requires a minimum of three (3) and a maximum of seven (7) directors;
- the number of directors may be increased where the board considers that additional expertise is required in specific areas or when an outstanding candidate is identified.

Directors' independence

Directors of the Group are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

The Company's corporate governance charter states an independent director will:

- be a non-executive director;
- not be a substantial shareholder of the Company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- not have, within the last three (3) years, been employed in an executive capacity by the Company or any other Group member, or have been a director after ceasing to hold any such employment;
- not be a principal of a professional advisor to the Company or another Group member or an employee materially associated with the service provided, except where the advisor might be considered to be independent notwithstanding their position as a professional advisor due to the fact that the fees payable by the Company to the advisor's firm represent an immaterial component (less than 5%) of its overall revenue;
- not be a significant supplier or customer of the Company or another Group member or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- not have a significant contractual relationship with the Company or another Group member other than as a director;
- be free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The board regularly assesses the independence of each director in light of the interests disclosed by them, and each director provides the board with all relevant information for this purpose.

The board considers that the concepts of 'independence' and 'conflicts' should be distinguished for the purposes of assessing the independence of a director.

Each member of the board is required to disclose any material contract or other relationship or personal interest in any matter that has a bearing to any degree on the business affairs or operations of the Group in accordance with the Corporations Act. In respect of any matters disclosed by a director which is an item of business for consideration by the board, that director must not be present while the matter is being considered or vote on that matter.

In the context of director independence, 'materiality' is considered from both the Group and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount.

It is presumed to be material if it is equal to or greater than 10% of the appropriate base amount (unless there is qualitative evidence to the contrary). Qualitative factors considered include the importance of a strategic relationship, competitive landscape, nature of the relationship and the contractual or other arrangements governing it and other factors that indicate the ability of the director in question to shape the direction of the Group's loyalty.

In accordance with the definition of independence above and the materiality thresholds set, the following directors of the Company are considered to be independent:

Name:	**Position:**
K.B. Smith	Non-executive Director
C.A. Anzarut	Non-executive Director

Board members

The skills, experience, expertise, qualifications, term of office and independence status of each director in office at the date of the annual report is included in the directors' report.

At the date of the annual report there are three (3) directors, two (2) of which are independent non-executive directors.

The board seeks to ensure that its membership at any point in time represents an appropriate balance between directors with knowledge and experience of the Group and its businesses, and directors who can provide an external or fresh perspective.

The size of the board is to remain at all times, conducive to effective discussion and efficient decision-making.

Term in office

The Company's Constitution requires that one third of the directors (or the number nearest one third), being the longest serving directors, retire at each annual general meeting of the Company. All directors, excluding a Chief Executive Officer, are also required to retire where a third annual general meeting falls during the period in which they have held office. Retiring directors are eligible to be re-elected.

The term in office held by each director in office at the date of this report is as follows:

Name:	**Term in office:**
W.W. Sidwell	6 years
C.A. Anzarut	6 years
K.B. Smith	5 years

Chairman and Chief Executive Officer

The Chairman of the board and Chief Executive Officer is responsible for:

- the provision of leadership to the board;
- planning and conducting board meetings ensuring that the board has full information on which to base its decisions on the business of the meeting;
- managing the periodic reviews of the performance of the board;
- briefing all directors in relation to issues at board meetings; and
- facilitating the effective contribution of all directors and promoting constructive and respectful relations between board members and management.

The Company's corporate governance charter does not require these roles to be undertaken by separate people.

Commitment

The board held ten (10) meetings during the year. All meetings were held at operational sites of the Company or its controlled entities. Details of meetings held by the board of directors and of each board committee and the attendance at those meetings is disclosed in the directors' report.

The Company requires all non-executive directors to spend sufficient time during the year preparing for and attending board and committee meetings and associated activities.

The commitments of non-executive directors are considered prior to the director's appointment or re-appointment to the board of directors of the Company and are reviewed each year as part of the annual review process.

Each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to fulfil their responsibilities to the Company prior to their appointment or being submitted for re-election.

Independent professional advice

The Company has initiated a set of procedures, agreed by the board, to enable directors to seek independent professional advice to further their duties, at the expense of the Company. The Chairman's approval is required prior to the commitment of Company funds, however such approval will not be unreasonably withheld.

Board committees

The board has established a number of committees to assist in the performance of its duties and to allow for detailed consideration of more complex issues where necessary. Current committees of the board consist of the Audit Committee and the Remuneration Committee. Three board members currently serve on the Audit Committee and two board members sit on the Remuneration Committee. Each committee structure and membership is reviewed on an annual basis.

Principle 3: Promote ethical and responsible decision-making

Code of conduct

The Company has developed a code of conduct which has been endorsed by the board and applies to all directors and officers of the Company. Full details of the code of conduct are available on the Company's website.

The objective of the code is to guide behaviour, enhance investor confidence in the Company and demonstrate the commitment of the Company to its ethical standards and practices.

All directors and officers of the Company must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and to act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company.

In making decisions on behalf of the Company, directors and officers will respect and have regard to the bona fide interests of legitimate stakeholders in the Company, including its shareholders, employees, customers, clients, partners and suppliers.

The Company will not knowingly infringe the legal rights of legitimate stakeholders, and will take reasonable steps to minimise the risk of doing so unintentionally.

Officers must act fairly and honestly in all their dealings with and for the Company. Business relationships must be maintained in a way which is consistent with the principles of respect for others and fairness.

The Company maintains a position of impartiality with respect to party politics. Accordingly, the Company does not contribute funds to any political party, politician or candidate for public office.

The Company does not prohibit officers from making personal political contributions but they may not use their role with the Company for political interests at any time.

The purchase and sale of company securities by directors and employees is only permitted during the four week period following the release of the half-yearly or annual financial statements to the market.

Principle 4: Safeguard integrity in financial reporting

Audit Committee

The board has established an Audit Committee, which operates under a charter adopted by the board, which is available on the Company's website.

It is the board's responsibility to ensure that an effective internal framework exists within the entity, including internal controls to deal with the safeguarding of assets, efficient and effective significant business processes, maintenance of proper accounting records and the reliability of financial information, together with non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee.

The Audit Committee was in place for the entire financial period referred to in this financial report. There were two (2) Audit Committee meetings held during the year. Details of directors' attendance at these committee meetings are outlined in the directors' report.

The committee provides the board with additional assurance regarding the correctness and reliability of financial information prepared for use by the board and also for the integrity of the Company's internal controls affecting the preparation and provision of the financial information in determining policies or for inclusion in the financial report.

The Company's Audit Committee charter requires a minimum of three (3) directors be appointed to the Audit Committee, comprising of at least two (2) non-executive directors and be chaired by a director who is not Chairman of the board and is otherwise independent. A least one (1) member of the committee must have financial expertise (for example, a qualified accountant or other professional with financial and accounting experience) and at least one (1) member of the committee must have an understanding of the industry in which the Company operates. The board will confirm membership of the committee each year.

The main responsibilities of the Audit Committee are to:

- monitor and make recommendations to the board on the effectiveness of the Company's external audit function;
- make recommendations to the board in regard to the scope of internal and external audit and the development of audit plans, the process for putting the external audit out to tender, the appointment of the external auditors, and report on any exception or qualifications reported or recommendations made by the external auditor in the auditor's opinion and management letter;
- directly oversee the external audit tender process, including at least two (2) of the members of the Audit Committee on the interview panel for the tender;
- review the form and content of representation letter/s provided to the external auditors;
- monitor implementation of any actions required by the board to be taken by management to address any exceptions or qualifications reported and recommendations made by the external auditor;
- liaise with the external auditors, including at least two (2) meetings each year with the auditors. A portion of those meetings, dealing with the preparation of the audited accounts of the Company, should take place in the absence of all management;
- review and make recommendations to the board in relation to accounting policies or required changes to the major accounting policies of the Company;
- monitor compliance by management with all approved accounting policies of the Company;
- monitor the effectiveness of the Company's risk and compliance internal controls and systems and make recommendations to the board when necessary;

- regularly consider and monitor the Company's exposure to significant risks, and make recommendations to the board in respect of such monitoring findings, including strategic and operational improvements in risk management planning and implementation and insurance strategies;
- oversee the development by management of risk management plans and make recommendations to the board;
- monitor the implementation of approved risk management plans throughout the Company;
- monitor compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by management in relation to those requirements;
- ensure completion of the Company's annual corporate governance statement for inclusion in the annual report of the Company, as required by ASX Good Governance Principles;
- evaluate the adequacy and effectiveness of the internal financial and other controls used by the Company to ensure the accuracy and integrity of all information provided to the board and to others outside the Company.

The committee will regulate itself consistently with the rule set out in the Company's corporate governance charter and under the principles and procedures of the Audit Committee charter.

The members of the Audit Committee for the entire year were:

K.B. Smith (committee Chairman)
C.A. Anzarut
W.W. Sidwell

Qualifications of Audit Committee members

K.B. Smith, Chairman of the Audit Committee, has been a Chartered Accountant for over thirty (30) years, serving on the Audit Committee of Schroders Australia from 1992 to 2000, also chairing the Credit & Risk Committees at Schroders Australia from 1996 to 2000. He is a director of SMS Management & Technology Limited and a member of its Audit Committee.

C.A. Anzarut holds the qualifications of LL.B and MBA and has acted as a commercial lawyer for over twenty (20) years.

W.W. Sidwell has significant experience in the management of Wellcom Group Limited and its predecessor Well.com Pty Ltd, having in excess of forty (40) years' experience in the industry. He is also a director of a number of private companies.

External auditors

The Company and Audit Committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. HLB Mann Judd was appointed as the Company's external auditor in 2005. As required by the *Corporations Act 2001*, HLB Mann Judd rotate the audit engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee as required by the *Corporations Act 2001*.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and context of the audit report.

Principle 5 and 6: Make timely and balanced disclosures and respect the rights of shareholders

Continuous disclosure and shareholder communication

The Company has developed a set of policies, approved by the board, to ensure the market is fully informed of the Group's strategy and financial performance. The Company seeks to achieve this by providing equal access to information for all investors and avoiding the disclosure of material information to any person on a selective basis.

Disclosable price-sensitive information must be disclosed to ASX prior to disclosure to analysts, the media or others outside the Company to ensure equal access to information. Following confirmation of receipt of lodgement, all information released to ASX will be available on or through the Company's website.

Except for certain confidential information that no reasonable person would expect to be disclosed, once the Company becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities, it will immediately tell ASX that information. Continuous disclosure obligations are regularly considered and a standing item on the agenda of board meetings requires all directors to confirm details of any matter within their knowledge that might require disclosure to the market.

The Company communicates regularly with shareholders through:

- its full annual report, which the Company sends to all shareholders in hard copy unless they have elected to receive it by electronic copy or not at all;
- its annual general meeting, at which shareholders are updated on the Group's performance and outlook. All shareholders are given the opportunity to ask questions of the board and of the auditor, who is invited to the meeting, about the audit;
- Company announcements published with the ASX, and on its website;
- release of the annual results in August each year and the interim results in February;
- market briefings where unexpected events occur during the year or to ensure the market is clear about the Group's strategy, business and outlook. No new materially price-sensitive information is provided at these briefings. Questions at briefings that deal with material information not previously disclosed will not be answered. All inadvertent disclosure of material information during market briefings would be immediately released to ASX.

Only the Chairman or a person authorised by the Chairman is authorised to make any public statement or announcement on behalf of the Company.

The Company does not comment on rumours or market speculation, subject to the continuous disclosure rules.

All proposed media releases and external presentations are reviewed by the Company Secretary in advance to ensure the continuous disclosure requirements are met at all times. The Company Secretary is also responsible for all communications with ASX.

Principle 7: Recognise and manage risk

The board, through the Audit Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct is required at all times and the board actively promotes a culture of quality and integrity.

Corporate reporting

The Chief Executive Officer and the Chief Financial Officer have made the following certifications to the board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Group and are in accordance with the relevant accounting standards;
- that the above statement is founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

The board has established a Remuneration Committee, which operates under a charter adopted by the board, a copy of which is available on the Company website.

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive management team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of the executive directors' and officers' emoluments to the Company's financial and operational performance. Expected outcomes of the remuneration structure include the retention and motivation of key executives and performance incentives which allow executives to share in the Company's success.

Full details of the Company's remuneration framework and remuneration received by directors and executives in the current period are included in the remuneration report, within the directors' report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Chairman and executive management.

There has been two (2) Remuneration Committee meetings held during the year. Details of directors' attendance at these committee meetings are outlined in the directors' report.

The members of the Remuneration Committee for the entire year were:

C.A. Anzarut (committee Chairman)
W.W. Sidwell

ASX Corporate Governance Council Best Practice Recommendations & Disclosures – Compliance

The Company complies, and has complied with the best practice recommendations of the ASX Corporate Governance Council for the whole of the financial year, with the exception of those items listed below:

a) The Chairman and Chief Executive Officer roles are performed by the same person for a portion of the year. Best practice recommends that the roles not be exercised by the same person, and that the Chairman be an independent director.

b) The Audit Committee consists of the three members of the board. The committee chaired by an independent non-executive director, however, does not meet best practice guidelines of having only non-executive directors as members.

These exceptions listed above were for the whole of the financial year with the exception of (a) which was for the period 29 November 2010 to 30 June 2011. The exceptions are due to the Chairman not being independent. The board believes that notwithstanding this, the board (and Audit Committee) is able to, and does, make quality, independent judgements with integrity, in the best interests of the Company and its shareholders, on all relevant issues. The directors of the board are also able to obtain independent advice at the expense of the Company. The board believes the Chairman is capable of providing quality, independent judgement to all relevant issues falling within the scope of his role, notwithstanding the dual role.

The board believes that the current composition of the board provides the Company with an appropriate mix of experience in commercial operations, law and finance to allow it to perform its duties, whilst at the same time giving the board the flexibility afforded to a smaller group of directors. The board is cognisant of its responsibilities in regards to succession planning and board experience as the Company grows and expands its operations.

The board acknowledges the existence of the amendments to the second edition of the Corporate Governance Principles effective for financial years commencing on or after 1 January 2011. The board is in the process of implementing policies and procedures to comply with the amended Corporate Governance Principles.

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 2011.

DIRECTORS

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

W.W. Sidwell (Chairman and Chief Executive Officer)

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 has more than forty (40) years' experience in the pre-media industry and currently serves on both the Audit and Remuneration committees in addition to serving 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 twenty (20) 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. Kerry has been a Chartered Accountant for over thirty (30) years, serving on the Audit Committee of Schroders Australia from 1992 to 2000, and chairing the Credit & Risk Committees at Schroders Australia from 1996 to 2000. He is a director of SMS Management & Technology Limited and a member of its Audit Committee.

A.J. Brook (Chief Executive Officer) – *resigned 29 November 2010*

Amanda Brook served as Chief Executive Officer of the Company from February 2010 to November 2010. Amanda is a member of the Australian Institute of Company Directors, holds a Bachelor of Arts and Graduate Diploma of Business and is a Certified Practicing Marketer with the Australian Marketing Institute.

COMPANY SECRETARY

L.J. Graham (Company Secretary)

Leonard Julian Graham was appointed as Company Secretary on 19 March 2007. Julian was also appointed Chief Financial Officer of the Group on 1 November 2006. Julian has over twenty (20) years' experience in the manufacturing, software and pre-media industries. He holds a Bachelor of Business and is a Certified Practicing Accountant (CPA).

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	25,433,211*
A.J. Brook	-
C.A. Anzarut	20,000*
K.B. Smith	20,000*

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

DIVIDENDS

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

	2011 $'000	2010 $'000
Final dividend for the year ended 30 June 2010 of 8 cents per fully paid ordinary share paid on 17 September 2010 (2009: 6 cents)	**3,135**	2,351
Interim dividend for the half year ended 31 December 2010 of 7.5 cents per fully paid ordinary share paid on 31 March 2011 (2010: 6 cents)	**2,939**	2,351
	6,074	4,702

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 2011 of 9 cents per fully paid ordinary share. The dividend was declared on 17 August 2011, with a record date of 1 September 2011, to be paid on 15 September 2011 out of retained profits at 30 June 2011. The dividend will be fully franked.

PRINCIPAL ACTIVITIES

During the year the principal activities of the Group were:

The provision of pre-media and data management services in Australia, the United Kingdom, New Zealand and Asia encompassing the following services:

- Pre-media Services;
- Design, Artwork and Retouching;
- Data and Facilities Management;
- Digital Photography;
- Television Production;
- Digital Print; and
- Computer to Plate (CTP) Production.

OPERATING AND FINANCIAL REVIEW

Overview

On 1 July 2010 Wellcom Group Limited completed the sale of its 50% interest in the web offset printer Kinkaid Pty Ltd, trading as Cadillac Printing (refer to note 5), and closed sheet-fed operations in Queensland, in order to focus on core business activities. On 30 June 2011 the Group also completed the acquisition of 100% of the share capital of iPrint Corporate Pty Ltd ('iPrint'), previously a 50% equity accounted joint venture between Wellcom Group Limited and Australian Postal Corporation (refer to note 30).

The Group has maintained earnings within the Australasian pre-media operations, notwithstanding significant investment in the Company's proprietary Knowledgewell software and the start-up capital required to fund operations for future growth within Singapore and Malaysia. The Group's UK pre-media division has experienced strong earnings growth on the prior year generating earnings before interest, tax and management charges of $728k (2010: loss of $584k). The Group's strong client base, new business not fully reflected in the results for the year ended 30 June 2011, and the potential for further acquisitions is expected to provide the basis for growth in the next financial year.

Operating results for the year

The sale of Cadillac Printing necessitated the reclassification of the reported 30 June 2010 financial results, whereby the financial performance of Cadillac has been disclosed as a discontinued operation within the 2010 consolidated income statement. The following review of operating results for the year is in respect of the continuing operations of the Group excluding the results of Cadillac Printing.

Group revenues of $57.25m (2010: $54.62m) represented an increase of 5% over the previous financial year. This result included organic growth of 5% in Australasia, notwithstanding the strategic exit from the Queensland market, and 2% in the UK. Wellcom's Asian operations contributed sales of $1.1m, representing 2% of the organic growth.

Operating margins within the Group continued to improve when viewed in comparison to the prior corresponding period, increasing from 21% to 22%.

EBITDA from continuing operations increased by 6% to $13.8m (2010: $13.0m) with EBIT from continuing operations increasing by 13% to $11.8m (2010: $10.4m).

NPAT from continuing operations attributable to the owners of the Group increased by 19% to $9.15m (2010: $7.66m). The effective tax rate for the Group was 25% (2010: 26%).

Shareholder returns

The shareholder returns presented below are based on results from continuing operations excluding Cadillac Printing (disposed of 1 July 2010) and including iPrint (acquired 30 June 2011).

	2011	2010
Basic earnings per share (cents)	**23.34**	19.55
Return on net assets (%)	**17.42**	14.98
Return on net assets excluding goodwill & intangibles (%)	**44.40**	38.52
Dividend payout ratio (%)	**70.70**	71.62

Liquidity and financial condition

The Company has registered a strong improvement in net operational cash flow which, at $11.7m, represents a 5% increase over the previous financial year. While net assets within the Group are comparable to the prior year, the divestment of Kinkaid Pty Ltd (trading as Cadillac Printing) and acquisition of iPrint Corporate Pty Ltd has had an impact on the composition of the statement of financial position. As at 30 June 2011 the Group has no net debt with cash and cash equivalents in excess of interest bearing liabilities by $17.6m (2010: net debt of $0.2m), providing flexibility to pursue opportunities that may arise. The Group has $10.6m of unused facilities as at 30 June 2011 (2010: $13.2m), the decrease reflecting a reduction in the Group's overall facilities to $11.8m (2010: $18.4m).

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 2011 financial year on 17 August 2011. The total amount of the dividend is $3.527m which represents a fully franked dividend of 9 cents per share. The dividend has not been provided for in the 30 June 2011 financial statements.

On 1 July 2011 the Group acquired the business assets of Mission Possible (Create) Ltd, located in London (United Kingdom). The acquisition was funded by cash reserves.

No other matter or circumstance has arisen since 30 June 2011 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

There have been no known breaches of any environmental regulations with which the Group is required to comply.

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 $36,707 (2010: $39,677) to insure the directors and secretary of the Company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

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 the conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal cost and those relating to other liabilities.

DIRECTORS' MEETINGS

The number of meetings of directors held during the year ended 30 June 2011 and 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	2	2
C.A. Anzarut	10	10	2	2	2	2
K.B. Smith	10	10	2	2	^	^
A.J. Brook *	4	4	^	^	^	^

* Resigned from the Company on 29 November 2010
^ Not a member of the relevant committee

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and other key management personnel of Wellcom Group Limited (the Company) and the consolidated group (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 facilitate the Company's remuneration framework and ensure the following criteria are satisfied:

- Competitiveness to ensure retention of high calibre executives;
- Reasonableness, fairness and consideration of market guidelines;
- Appropriateness of performance criteria linked to variable executive remuneration;
- Established relationship between executive rewards and increased shareholder value;
- Transparency and shareholder approval of compensation arrangements.

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 Company whilst incurring a cost that is acceptable to shareholders.

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, nor do they participate in any incentive programs. Details of the remuneration of non-executive directors for the year ended 30 June 2011 and 30 June 2010 are set out in Table 1 and 2 respectively.

Executive director and key executive remuneration

Objective

The Company 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, state unit and individual performance, relevant comparative market and internal remuneration and the level of shareholder returns generated.

Structure

The Company 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 KPIs is assessed annually, with bonuses being awarded depending on the achievement of the KPIs. Following the assessment, the KPIs 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 shareholder wealth, before the KPIs 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 Wellcom Group Limited and of the consolidated group were the directors and those executives that report directly to the Chief Executive Officer being:

W.W. Sidwell, Chairman and Chief Executive Officer
A.J. Brook, Chief Executive Officer *(resigned 29 November 2010)*
S. Rees, Chief Operating Officer
L.J. Graham, Company Secretary and Chief Financial Officer
M. Bettridge, Strategy and Global Business Development Manager
C. Bevan, General Manager, New South Wales
M. Parker, General Manager, Victoria *(resigned 17 September 2010)*
A.W. Sidwell, General Manager, Victoria *(appointed 1 October 2010)*
C. Grawe, Managing Director, UK *(appointed 1 May 2011)*

The above-noted personnel include the 5 highest remunerated personnel within the Group and/or Company.

Details of the remuneration of key management personnel and other executives of the Company and Group for the year ended 30 June 2011 are set out in the table below (Table 1).

Table 1

Name			Short-term employee benefits	Post-employment benefits	Long-term benefits	
	Cash salary $	**Bonus $**	**Non-cash benefits $**	**Super-annuation $**	**Long service leave $**	**Total $**
Non-executive directors						
C.A. Anzarut	61,927	-	-	13,073	-	75,000
K.B. Smith	64,220	-	-	5,780	-	70,000
Sub-total non-executive directors	**126,147**	**-**	**-**	**18,853**	**-**	**145,000**
Executive directors						
W.W. Sidwell^#	190,000	-	-	50,000	9,816	249,816
A.J. Brook^#	400,000	-	-	15,199	-	415,199
Other key management personnel						
S. Rees^#	208,887	70,000	-	15,199	31,633	325,719
L.J. Graham^#	251,888	100,000	-	15,199	5,179	372,266
M. Bettridge^#	249,803	60,000	-	15,199	11,152	336,154
C. Bevan	178,880	70,000	14,256	15,199	12,857	291,192
M. Parker	128,661	-	11,883	10,783	4,544	155,871
A. Sidwell	117,467	40,000	17,992	10,572	3,060	189,091
C. Grawe*	127,978	41,267	1,059	9,578	-	179,882
Total key management personnel compensation	**1,979,711**	**381,267**	**45,190**	**175,781**	**78,241**	**2,660,190**

^ Denotes one of the five (5) highest paid executives of the Company, as required by the *Corporations Act 2001.*
# Denotes one of the five (5) highest paid executives of the Group, as required by the *Corporations Act 2001.*
* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2011.

Details of the remuneration of key management personnel and other executives of the Company and Group for the year ended 30 June 2010 are set out in the table below (Table 2).

Table 2

Name		Short-term employee benefits		Post-employment benefits	Long-term benefits		
	Cash salary $	**Bonus $**	**Non-cash benefits $**	**Super-annuation $**	**Long service leave $**	**Bonus $**	**Total $**
Non-executive directors							
C.A. Anzarut	68,807	-	-	6,193	-	-	75,000
K.B. Smith	64,220	-	-	5,780	-	-	70,000
Sub-total non-executive directors	**133,027**	**-**	**-**	**11,973**	**-**	**-**	**145,000**
Executive directors							
W.W. Sidwell^#	262,008	-	27,695	50,000	4,797	-	344,500
A.J. Brook^#**	166,667	103,500	-	6,026	127	43,125	319,445
Other key management personnel							
S. Rees^#	185,677	40,000	-	14,323	3,988	-	243,988
L.J. Graham^#	218,989	40,000	-	14,342	361	-	273,692
M. Bettridge^	225,718	20,000	-	14,282	3,822	-	263,822
M. Parker	163,811	40,000	21,576	14,613	2,568	-	242,568
J. Keene#*	207,558	-	21,099	19,972	-	-	248,629
C. Bevan	169,286	-	13,882	14,330	5,167	-	202,665
Total key management personnel compensation	**1,732,741**	**243,500**	**84,252**	**159,861**	**20,830**	**43,125**	**2,284,309**

^ Denotes one of the five (5) highest paid executives of the Company, as required by the *Corporations Act 2001.*
# Denotes one of the five (5) highest paid executives of the Group, as required by the *Corporations Act 2001.*
* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2010.
** Commenced with the Company on 1 February 2010.

Employment contracts

W.W. Sidwell

The Chairman and Chief Executive Officer, Mr Sidwell is employed under contract by Wellcom Group Limited. The current employment contract commenced on 1 February 2010 and terminates on 30 June 2013 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 $240,000 per annum.
- Both Mr Sidwell and the Company may terminate this contract by giving 12 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 with notice periods ranging from six (6) months to twelve (12) months. 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 2011 and 30 June 2010 are included below. The management incentive scheme represents the only portion of KMP remuneration which relates to performance.

Year ended 30 June 2011

Key management personnel

All key management personnel, other than Executive 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 quantitive 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 2011:

Year ended 30 June 2011	Remuneration package 1 September 2010 $	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid $
Key management personnel					
S. Rees	200,000	10,000	20,000	40,000	70,000
L.J. Graham	240,000	12,000	40,000	48,000	100,000
M. Bettridge	240,000	12,000	-	48,000	60,000
C. Bevan	200,000	10,000	20,000	40,000	70,000
M. Parker	200,000	-	-	-	-
A. Sidwell	160,000	8,000	-	32,000	40,000
C. Grawe *	144,880	13,756	27,511	-	41,267
	1,384,880	**65,756**	**107,511**	**208,000**	**381,267**

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2011.

Year ended 30 June 2010

Chief Executive Officer – Amanda Brook

The Chief Executive Officer shall be entitled to the following:

- A short-term incentive not exceeding 60% of the total remuneration package. This is calculated on the achievement of several performance criteria based on quantitive and qualitative measures connected to group performance, strategy and planning. The amount payable for the year ended 30 June 2010 has been calculated on a pro-rata basis from the date on which the Chief Executive Officer joined the Group.
- A long-term incentive not exceeding 25% of the total remuneration package as at the beginning of the financial period. This is based on the achievement of targets in respect to the financial performance of the Australia/NZ business units. The amount payable for the year ended 30 June 2010 has been calculated on a pro-rata basis from the date on which the Chief Executive Officer joined the Group.
- The incentives 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.

Other key management personnel

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

- An amount not exceeding 40% 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 quantitive 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 2010:

Year ended 30 June 2010	Remuneration package 1 September 2009 $	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid $
Key management personnel					
A.J. Brook *	414,000	-	43,125	103,500	146,625
S. Rees	200,000	-	40,000	-	40,000
L.J. Graham	240,000	-	-	40,000	40,000
M. Bettridge	240,000	-	-	20,000	20,000
M. Parker	200,000	-	40,000	-	40,000
C. Bevan	200,000	-	-	-	-
	1,494,000	**-**	**123,125**	**163,500**	**286,625**

* Commenced with the Company on the 1 February 2010.

LOANS TO/FROM DIRECTORS AND EXECUTIVES

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 27 to the financial statements.

AUDITOR INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

The Group's auditor, HLB Mann Judd, provided taxation advice in connection to the establishment of Wellcom Group's Malaysia operations during the year (refer to Note 7). No other non-audit services were provided.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor's firm is compatible with the general standards of independence for auditors imposed by the *Corporations Act 2001*. The Directors are of the opinion that the taxation advice provided did not compromise the external auditor's independence for the following reasons:

- All non-audit services are approved to ensure they do not impact the integrity and objectivity of the auditor; and
- The nature of the services provided does not compromise the general principles relating to auditor's independence in accordance with APES 110 *Code of Ethics for Professional Accountants* set by the accounting profession and Ethical Standards Board.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements and directors' report. Amounts in the financial statements and directors' report have been rounded off in accordance with that Class Order 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 2011

HLB Mann Judd

Accountants | Business and Financial Advisers

Auditor's Independence Declaration under Section 307C of the *Corporations Act 2001* to the Directors of Wellcom Group Limited

In relation to our audit of the financial report of Wellcom Group Limited ("the Company") for the year ended 30 June 2011 ("the audit"), I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Jude Lau
Partner

Melbourne
17 August 2011

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") which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Wellcom Group Limited. The Group comprises the Company and the entities it controlled as at 30 June 2011 or from time to time during the year.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material mis-statement, whether due to fraud or error.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards* ("IFRS").

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. These 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 entity's preparation and fair presentation of the financial report 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 entity's 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 procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with 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.

HLB Mann Judd (VIC Partnership)

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Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the Company's financial report for the year ended 30 June 2011 included in the annual report and on the website of the Company. The directors of the Company are responsible for the integrity of the web site and we have not been engaged to report on the integrity of the web site. This audit report refers only to the financial report named above and not on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on the Company's website.

Independence

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

Auditor's Opinion on the Financial Report

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 2011 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 40 of the directors' report for the year ended 30 June 2011. 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.

Auditor's Opinion on the Remuneration Report

In our opinion the Remuneration Report of Wellcom Group Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Jude Lau
Partner

Melbourne
17 August 2011

DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 46 to 96 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 2011 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(b) confirms 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 2011

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Continuing operations			
Revenue	3(a)	**57,248**	54,623
Other income	3(b)	**635**	1,974
Share of profits of jointly controlled entities accounted for using the equity method	11	**972**	1,011
Raw materials and consumables		**(12,117)**	(12,672)
Marketing expenses		**(293)**	(194)
Occupancy expenses		**(3,214)**	(3,799)
Employee benefits expense	3(c)	**(26,474)**	(25,164)
Depreciation, amortisation and impairment	3(d)	**(1,975)**	(2,903)
Finance costs	3(e)	**(153)**	(195)
Consulting expenses		**(143)**	(217)
Other expenses		**(2,359)**	(2,043)
Profit from continuing operations before income tax expense		**12,127**	10,421
Income tax expense	4(a)	**(2,981)**	(2,761)
Profit from continuing operations after income tax expense		**9,146**	7,660
Discontinued operations			
Profit from discontinued operations after income tax	5	**477**	2
Net profit for the year		**9,623**	7,662
Profit for the year is attributable to:			
Owners of Wellcom Group Limited		**9,623**	7,661
Non-controlling interest		**-**	1
		9,623	7,662
Earnings per share:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of parent:			
Basic (cents per share)		23.34	19.55
Diluted (cents per share)		23.34	19.55
Earnings per share from profit from discontinued operations attributable to the ordinary equity holders of the parent:			
Basic (cents per share)		1.22	-
Diluted (cents per share)		1.22	-
Earnings per share from profit attributable to the ordinary equity holders of the parent:			
Basic (cents per share)		24.56	19.55
Diluted (cents per share)		24.56	19.55

Notes to the consolidated financial statements are included on pages 51 to 96.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Profit for the year		**9,623**	7,662
Other comprehensive income			
Foreign currency translation	21	**(809)**	(820)
Other comprehensive loss for the year, net of tax		**(809)**	(820)
Total comprehensive income for the year		**8,814**	6,842
Total comprehensive income for the year is attributable to:			
Owners of Wellcom Group Limited		**8,814**	6,841
Non-controlling interest		**-**	1
		8,814	6,842

Notes to the consolidated financial statements are included on pages 51 to 96.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	6(a)	**17,608**	4,695
Trade and other receivables	8	**11,362**	12,453
Inventories	9	**1,635**	2,840
Other current assets	10	**809**	908
Total current assets		**31,414**	20,896
Non-current assets			
Investments accounted for using the equity method	11	**-**	3,523
Property, plant and equipment	12	**4,725**	10,608
Deferred tax assets	4(c)	**1,618**	1,748
Goodwill	13	**31,908**	31,249
Other non-current assets	14	**36**	138
Total non-current assets		**38,287**	47,266
Total assets		**69,701**	68,162
Current liabilities			
Trade and other payables	15	**12,014**	6,973
Short-term borrowings	16	**-**	1,338
Current tax payables	4(b)	**1,684**	955
Provisions	17	**2,858**	3,076
Total current liabilities		**16,556**	12,342
Non-current liabilities			
Long-term borrowings	18	**-**	3,528
Deferred tax liabilities	4(c)	**9**	467
Provisions	19	**629**	689
Total non-current liabilities		**638**	4,684
Total liabilities		**17,194**	17,026
Net assets		**52,507**	51,136
Equity			
Contributed equity	20	**38,355**	38,355
Retained earnings and reserves	21	**14,152**	11,412
Parent interests		**52,507**	49,767
Minority interest		**-**	1,369
Total equity		**52,507**	51,136

Notes to the consolidated financial statements are included on pages 51 to 96.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Owners of the parent $'000	Non-controlling interest $'000	Total Equity $'000
At 1 July, 2010		**38,355**	**(1,762)**	**13,174**	**49,767**	**1,369**	**51,136**
Profit for the year		-	-	9,623	9,623	-	9,623
Other comprehensive income for the year		-	(809)	-	(809)	-	(809)
Total comprehensive income for the year		**-**	**(809)**	**9,623**	**8,814**	**-**	**8,814**
Transactions with owners in their capacity as owners:							
Dividends paid	23	-	-	(6,074)	(6,074)	-	(6,074)
Disposal of discontinued operation	5	-	-	-	-	(1,369)	(1,369)
At 30 June, 2011		**38,355**	**(2,571)**	**16,723**	**52,507**	**-**	**52,507**

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Owners of the parent $'000	Non-controlling interest $'000	Total Equity $'000
At 1 July, 2009		**38,355**	**(942)**	**10,215**	**47,628**	**1,368**	**48,996**
Profit for the year		-	-	7,661	7,661	1	7,662
Other comprehensive income for the year		-	(820)	-	(820)	-	(820)
Total comprehensive income for the year		**-**	**(820)**	**7,661**	**6,841**	**1**	**6,842**
Transactions with owners in their capacity as owners:							
Dividends paid	23	-	-	(4,702)	(4,702)	-	(4,702)
At 30 June, 2010		**38,355**	**(1,762)**	**13,174**	**49,767**	**1,369**	**51,136**

Notes to the consolidated financial statements are included on pages 51 to 96.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Receipts from customers		**65,245**	89,339
Payments to suppliers and employees		**(51,365)**	(76,556)
Insurance recovery		**723**	1,520
Income tax paid		**(2,793)**	(2,589)
Interest and other costs of finance paid		**(153)**	(653)
Net cash provided by operating activities	6(b)	**11,657**	11,061
Cash flows provided by/(used in) investing activities			
Interest received		**434**	93
Dividends received	11	**1,000**	1,500
Payments for business acquisitions, net of cash acquired	30(b)	**4,982**	-
Proceeds of disposal of subsidiary, net of cash disposed of		**2,944**	-
Proceeds from sale of property, plant and equipment		**420**	448
Payment for property, plant and equipment		**(2,321)**	(3,816)
Net cash provided by/(used in) investing activities		**7,459**	(1,775)
Cash flows provided by/(used in) financing activities			
Proceeds from borrowings		**-**	1,000
Repayment of borrowings		**(129)**	(2,951)
Related party loans		**-**	394
Dividends paid		**(6,074)**	(4,702)
Net cash used in financing activities		**(6,203)**	(6,259)
Net increase in cash and cash equivalents		**12,913**	3,027
Cash and cash equivalents at the beginning of the year		**4,695**	1,668
Cash and cash equivalents at the end of the year	6(a)	**17,608**	4,695

Notes to the consolidated financial statements are included on pages 51 to 96.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

CONTENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

The financial report of Wellcom Group Limited (the Group or consolidated entity) for the year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 17 August 2011.

Wellcom Group Limited is a Company incorporated 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 this financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes the financial statements for Wellcom Group Limited consisting of Wellcom Group Limited and its subsidiaries.

a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the *Corporations Act 2001*. The financial report has been prepared on a historical cost basis unless otherwise stated.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which this class order applies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards. The Financial Report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

c) Basis 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 those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. During the year ended 30 June 2011 subsidiaries have comprised Wellcom Moving Images Pty Ltd, Kinkaid Pty Ltd, Wellcom London Ltd (formerly Keene Repro Ltd), Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd and iPrint Corporate Pty Ltd.

Wellcom Moving Images Pty Ltd is 100% owned and controlled by Wellcom Group Limited. Wellcom Moving Images Pty Limited was dormant for the whole of the financial year.

Kinkaid Pty Ltd (trading as Cadillac Printing) was disposed of by the Group on 1 July 2010 (refer to note 5).

Wellcom London Ltd (formerly Keene Repro Ltd) is 100% owned by Wellcom Group Ltd. The consolidated financial statements include the results of Wellcom London Ltd for the entire financial year. The financial statements of the subsidiary have been prepared using consistent accounting policies.

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

2. Summary of significant accounting policies (continued)

c) Basis of consolidation (continued)

Wellmalaysia Sdn Bhd is 100% owned by Wellcom Group Ltd. The consolidated financial statements include the results of Wellmalaysia Sdn Bhd from the date of incorporation (refer to note 29). The financial statements of the subsidiary have been prepared using consistent accounting policies.

iPrint Corporate Pty Ltd was acquired by Wellcom Group Ltd on 30 June 2011 (refer to note 30) and is 100% owned by the Group. The consolidated financial statements include the results of iPrint Corporate Pty Ltd from the date of acquisition and the financial statements of the subsidiary have been prepared using consistent accounting policies. Prior to acquisition Wellcom Group Ltd held a 50% joint venture interest in iPrint Corporate Pty Ltd (refer to note 2 (c) (ii) below).

All subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of 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.

Non-controlling interests not held by the Group are allocated their share of net profit after tax in the consolidated statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

(ii) Joint ventures

During the year ended 30 June 2011 the Group held a 50% interest in iPrint Corporate Pty Ltd, a joint venture between the Wellcom Group Limited and Australian Postal Corporation. The joint venture was accounted for using the equity method of accounting in the consolidated financial statements up to the date the entity was fully acquired by the Group (refer to note 30).

d) 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 may 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 do not consider that the triggers for impairment testing have been significant enough and as such these assets have not been tested for impairment in this financial period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

d) Significant accounting judgements, estimates and assumptions (continued)

(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, using a value in use discounted cash flow methodology, to which the goodwill is allocated. Further details of significant accounting estimates and assumptions applied are provided in note 13.

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.

Determination of fair value for stage acquisition accounting

As outlined in note 30 management, in applying the requirements of staged acquisition accounting, had to estimate the fair value of the Group's pre-existing investment in iPrint Corporate Pty Ltd for the purposes of determining the goodwill arising on consolidation. In arriving at the fair value management performed discounted cash flows and maintainable earnings calculations using the budgeted financial information of iPrint Corporate Pty Ltd.

e) 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 on a time proportionate basis that takes into account the effective yield on the financial asset.

Dividends

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

f) 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 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 twelve (12) months after the reporting date.

2. Summary of significant accounting policies (continued)

g) Borrowing costs

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).

h) 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 statement of financial position. For the purpose of the cash flow statement cash and cash equivalents consist of cash and cash equivalents as defined above.

i) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liability for non-accumulating sick leave is recognised when the leave is taken and is measured at the rates paid or payable.

Provisions made in respect of employee benefits expected to be settled within twelve (12) months, are measured at their nominal values using the remuneration rates expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within twelve (12) months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date based on the government bond rate matching the expected payment dates.

j) Investments and other financial assets

Investments are initially measured at fair value, net of transaction costs incurred.

Subsequent to initial recognition, investments in associates are accounted for under the equity method in the financial statements.

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.

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'.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

j) Investments and other financial assets (continued)

Loans and receivables

i) Trade receivables

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

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

ii) Loans and other receivables

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

k) 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 statement of financial position.

l) 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.

m) 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 income statement, except when they are attributable to part of the net investment in a foreign operation.

2. Summary of significant accounting policies (continued)

m) Foreign currency translation (continued)

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 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 for each statement of comprehensive income 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.

n) 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 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.

o) Intangible assets

Intangible assets acquired in a business combination

All intangible assets acquired in a business combination are initially measured at cost. 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 if 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

o) Intangible assets (continued)

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.

p) Goodwill

Goodwill acquired in a business combination is initially measured at cost, representing the excess of the cost of acquisition over the net fair value of the identifiable assets, liabilities and contingent liabilities 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 (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 13.

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.

q) 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.

2. Summary of significant accounting policies (continued)

q) Impairment of assets (continued)

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.

r) Income tax

Current income tax

Current income tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current income tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred income tax

Deferred income tax is provided on all temporary differences at the reporting date between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred income tax for the period

Current and deferred income tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

s) 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 income statement 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.

t) 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.

u) 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 method is 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.

2. Summary of significant accounting policies (continued)

u) Property, plant and equipment (continued)

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.

v) Provisions

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

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

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.

w) 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.

x) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, 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 issues 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

x) Business combinations (continued)

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 incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

y) 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.

z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

aa) 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.

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.

ab) 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.

ac) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

ad) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 *Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. There will be no impact on the Group's accounting for financial assets or financial liabilities.

2. Summary of significant accounting policies (continued)

ad) New accounting standards and interpretations (continued)

Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 *Related Party Disclosures*. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group will apply the amended standard from 1 July 2011. When the amendments are applied, the Group will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Wellcom Group Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards – Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 *Financial Instruments*: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. They are not expected to have any significant impact on the Group's disclosures. The group intends to apply the amendment from 1 July 2011.

AASB 2010-8 *Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 *Income Taxes* to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. The Group will apply the amendment from 1 July 2012, though it will not have any effect on the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Profit from operations

	2011 $'000	2010 $'000
(a) Revenue		
Revenue from continuing operations	**57,258**	54,623
Revenue from discontinued operations	**-**	25,339
(b) Other income		
Interest revenue (bank deposits)	**434**	171
Net gains on disposal of property, plant & equipment	**76**	96
Insurance recovery (refer to note 3(d))	**103**	1,520
Other	**22**	187
	635	1,974
(c) Employee benefits expense		
Salaries and wages	**(26,320)**	(24,974)
Fringe benefits tax	**(54)**	(101)
Staff amenities	**(100)**	(89)
	(26,474)	(25,164)
(d) Depreciation, amortisation & impairment		
Depreciation of non-current assets	**(1,975)**	(2,520)
Amortisation of non–current assets	**-**	(32)
Impairment of non-current assets	**-**	(351)
	(1,975)	(2,903)

A storm in Melbourne in March 2010 damaged the building leased by the digital printing division of the Group and resulted in equipment and inventories stored in the building being destroyed and a subsequent impairment charge of $351k in the prior year. An insurance recovery of $102,759 (2010: $1,519,879) has been recognised as other income (refer to note 3(b)).

	2011 $'000	2010 $'000
(e) Finance costs		
Interest on commercial bills	**-**	(14)
Other interest expense	**(146)**	(181)
Other finance costs	**(7)**	-
	(153)	(195)
(f) Rental expenses relating to operating lease		
Minimum lease payments	**(2,613)**	(2,564)
(g) Net foreign exchange losses	**(105)**	(5)
(h) Bad and doubtful debts	**(9)**	(33)

4. Income taxes

	2011 $'000	2010 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current income tax expense	**3,889**	3,088
Deferred income tax income relating to		
the origination and reversal of temporary differences	**(933)**	(256)
Current income charge/(income) in respect of previous years	**25**	(71)
Total income tax expense	**2,981**	2,761
Attributable to:		
Continuing operations	**2,981**	2,761
Discontinued operations	**-**	-
Aggregate income tax expense	**2,981**	2,761
Deferred income tax revenue included in income tax expense comprises:		
Increase in deferred tax assets (note 4(c))	**(466)**	(79)
Decrease in deferred liabilities (note 4(c))	**(467)**	(177)
	(933)	(256)

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:

	2011 $'000	2010 $'000
Profit from continuing operations before income tax expense	**12,127**	10,421
Profit from discontinued operations before income tax expense	**477**	2
	12,604	10,423
Income tax expense calculated at 30% (2010: 30%)	**3,781**	3,127
Non-deductible expenses	**17**	14
Research and development deduction	**(44)**	(60)
Differences in overseas tax rates	**49**	51
Previously unrecognised tax losses recouped to reduce current tax expense	**(175)**	-
Previously unrecognised tax losses used to reduce deferred tax expense	**(31)**	(10)
Under/(over) provided in prior periods	**25**	(71)
Foreign exchange translation adjustments	**(41)**	-
Non-assessable income	**(727)**	(450)
Change in unrecognised temporary differences	**127**	160
	2,981	2,761

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Income taxes (continued)

	2011 $'000	2010 $'000
(b) Current tax assets and liabilities		
Current tax assets	**-**	-
Current tax liabilities	**1,684**	955
(c) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	**1,618**	1,748
	1,618	1,748
Deferred tax liabilities comprise:		
Temporary differences	**9**	467
	9	467

2011

	Opening balance $'000	Charged/ Credited to Income $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Gross deferred tax assets:				
Doubtful debts	62	11	(61)	12
Provisions	1,020	74	(60)	1,034
Investments in joint venture	-	222	-	222
Accruals	135	156	(25)	266
Lease incentive	18	(18)	-	-
Property, plant and equipment	37	(12)	-	25
Tax losses	476	33	(450)	59
	1,748	**466**	**(596)**	**1,618**
Gross deferred tax liabilities:				
Interest receivable	-	-	9	9
Property, plant and equipment	387	(387)	-	-
Doubtful debts	13	(13)	-	-
Investments in joint venture	67	(67)	-	-
	467	**(467)**	**9**	**9**

4. Income taxes (continued)

2010

	Opening balance $'000	Charged/ Credited to Income $'000	Closing balance $'000
Gross deferred tax assets:			
Doubtful debts	72	(10)	62
Provisions	936	84	1,020
Accruals	129	6	135
Share issue costs	72	(72)	-
Lease incentive	32	(14)	18
Property, plant and equipment	-	37	37
Tax losses	428	48	476
	1,669	**79**	**1,748**
Gross deferred tax liabilities:			
Property, plant and equipment	391	(4)	387
Intangible assets	8	(8)	-
Doubtful debts	22	(9)	13
Provisions	2	(2)	-
Investments in joint venture	214	(147)	67
Leased assets	7	(7)	-
	644	**(177)**	**467**

	2011 $'000	2010 $'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**729**	-
Potential tax benefit	**153**	-

The above tax losses relate to overseas subsidiaries.

(e) Unrecognised temporary differences

Temporary difference relating to investments in subsidiaries for which Deferred tax liabilities have not been recognised:		
Foreign currency translation	**138**	-
Unrecognised deferred tax liabilities relating to the above	**41**	-

A deferred tax liability has not been recognised in respect of temporary differences of $138k arising as a result of the translation of the financial statements of the consolidated entity's subsidiary in the UK. The deferred tax liability will only arise in the event of disposal of the subsidiary, and no such disposal is expected in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Discontinued Operations

Effective 1 July 2010 the Group disposed of its 50% shareholding in Kinkaid Pty Ltd (trading as Cadillac Printing) to interests associated with Wayne Sidwell, Chairman and Chief Executive Officer of the Wellcom Group Ltd. The transaction was in accordance with the resolution approved by shareholders at the company's AGM on 21 October 2010 and the division disposed of is reported in these financial statements as a discontinued operation.

The consideration received of $3m and the repayment of vendor loans reflected the initial purchase consideration by Wellcom Group Ltd and the book value of the assets on the effective date of the transaction. An accounting profit on sale of the asset of $477k, relating predominantly to the reversal of accumulated losses and previously revalued assets of the entity, has been recognised in the consolidated income statement for the year ended 30 June 2011.

Additional information relating to the discontinued operation is set out below:

	2011 $'000	2010 $'000
Revenue (refer to note 3)	**-**	25,339
Expenses	**-**	(24,801)
Profit before net financing costs and income tax	**-**	538
Net financing costs	**-**	(536)
Profit before income tax	**-**	2
Income tax expense	**-**	-
Net profit attributable to discontinued operations	**-**	2
Gain on sale		
Consideration received	**3,009**	-
Carrying amount of net assets sold	**(3,017)**	-
Other, including accumulated losses and revaluation reserve recycling	**485**	-
Gain on sale of discontinued operations	**477**	-
Cash flow attributable to discontinued operation		
Net cash inflows from operating activities	**-**	1,304
Net cash outflows from investing activities	**-**	(262)
Net cash outflows from financing activities	**-**	(363)
Net cash provided by discontinued operations	**-**	679

6. Cash and cash equivalents

	2011 $'000	2010 $'000
a) Cash and cash equivalents		
Cash on hand	**10**	9
Cash at bank	**7,598**	2,186
Cash on deposit	**10,000**	2,500
Total cash and cash equivalents	**17,608**	4,695

Cash at bank and on hand earn 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 2011 is 5.99% (2010: 5.45%). Cash is placed on deposit for terms between thirty (30) days to one hundred and eighty (180) 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:

	2011 $'000	2010 $'000
Net profit after income tax	**9,623**	7,662
Adjustments for non-cash income and expense items:		
Depreciation of non-current assets	**1,975**	2,934
Amortisation of intangible assets	**-**	32
Impairment of non-current assets	**-**	351
Profit on disposal of non-current assets	**(49)**	(91)
Profit on disposal of subsidiary	**(477)**	-
Share of jointly controlled entity's profit	**(972)**	(1,011)
Interest income received and receivable	**(434)**	(93)
Net exchange difference	**(730)**	(741)
Increase/decrease in assets/liabilities:		
Trade and other receivables	**1,800**	(430)
Inventories	**151**	852
Other assets	**687**	1,022
Trade and other payables	**2,096**	139
Income tax payable	**729**	428
Deferred tax balances	**(541)**	(256)
Provisions	**(2,201)**	263
Net cash from operating activities	**11,657**	11,061

c) Financing activities

	2011 $'000	2010 $'000
Secured bank finance facilities subject to annual review:		
- amount used	**1,213**	5,192
- amount unused	**10,552**	13,203
	11,765	18,395

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. Remuneration of auditors

	2011 $'000	2010 $'000
(a) Auditor services		
HLB Mann Judd:		
Audit and review of the financial reports	**85**	106
HLB Mann Judd related practices:		
Audit and review of the financial reports	**13**	-
Other Auditors:		
Audit and review of the financial reports	**29**	33
Total remuneration for audit services	**127**	139
(b) Other services		
HLB Mann Judd:		
Taxation services	**14**	14
HLB Mann Judd related practices:		
Other services	**11**	2
Other Auditors:		
Taxation services	**8**	15
Other services	**5**	-
Total remuneration for non-audit services	**38**	31

8. Trade and other receivables

	2011 $'000	2010 $'000
Trade receivables	**11,292**	11,981
Allowance for doubtful debts	**(42)**	(263)
	11,250	11,718
Sundry debtors	**34**	714
Interest income receivable	**78**	21
	11,362	12,453

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 related to trade and other receivables is disclosed in note 24.

9. Inventories

	2011 $'000	2010 $'000
Raw materials at cost	**86**	2,005
Work in progress	**1,549**	835
	1,635	2,840

10. Other current assets

	2011 $'000	2010 $'000
Prepayments	**809**	908
	809	908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Investments accounted for using the equity method

	2011 $'000	2010 $'000
Investments in jointly controlled entities	-	3,523
	-	3,523

Details of jointly controlled entity:

The jointly controlled entity referred to above is iPrint Corporate Pty Ltd. Wellcom Group Limited held a 50% shareholding in iPrint Corporate Pty Ltd from 1 July 2010 to 30 June 2011. On 30 June 2011 the Group acquired the remaining 50% of the shares not previously owned in iPrint Corporate Pty Ltd for a cash consideration of $375,100 (refer to note 30). As at 30 June 2011 iPrint Corporate Pty Ltd was accounted for as a subsidiary of the Group.

Financial information of iPrint Corporate Pty Ltd	2011 $'000	2010 $'000
Current assets	**10,021**	10,379
Non-current assets	**147**	170
	10,168	10,549
Current liabilities	**9,857**	8,311
Non-current liabilities	**11**	6
	9,868	8,317
Net assets	**300**	2,232
Income	**44,043**	44,768
Expenses	**(41,266)**	(41,880)
Profit before tax	**2,777**	2,888
Income tax expense	**(833)**	(866)
Net profit after tax	**1,944**	2,022
Wellcom Group Limited's share of entity's net profit after tax while jointly controlled	**972**	1,011

Dividends received from jointly controlled entity

The Group received total dividends of $1,000,000 (2010: $1,500,000) during the financial year from iPrint Corporate Pty Ltd whilst it was a jointly controlled entity. A fully franked interim dividend of $500,000 was received on 12 November 2010. A fully franked final dividend of $500,000 was received on 19 April 2011.

12. Property, plant and equipment

	Plant and equipment $'000	Leasehold improvements $'000	Furniture and fittings $'000	Equipment under finance lease $'000	Total $'000
At 1 July 2009					
At cost	16,702	1,786	828	6,644	**25,960**
Accumulated depreciation	(12,917)	(917)	(472)	(1,142)	**(15,448)**
Net book amount	**3,785**	**869**	**356**	**5,502**	**10,512**
Year ended 30 June 2010					
Opening net book amount	3,785	869	356	5,502	**10,512**
Additions	3,643	104	27	42	**3,816**
Disposals	(295)	(34)	(1)	(26)	**(356)**
Depreciation charge relating to disposal groups	(59)	(5)	(1)	(349)	**(414)**
Depreciation charge	(2,124)	(278)	(117)	(1)	**(2,520)**
Impairment loss (note (a))	(351)	-	-	-	**(351)**
Exchange differences	(51)	(9)	(19)	-	**(79)**
Closing net book amount	**4,548**	**647**	**245**	**5,168**	**10,608**
At 30 June 2010					
At cost	16,698	1,716	808	6,482	**25,704**
Accumulated depreciation	(12,150)	(1,069)	(563)	(1,314)	**(15,096)**
Net book amount	**4,548**	**647**	**245**	**5,168**	**10,608**
Year ended 30 June 2011					
Opening net book amount	4,548	647	245	5,168	**10,608**
Additions	2,132	151	38	-	**2,321**
Additions from business acquisition (note (b))	64	5	8	-	**77**
Disposals	(372)	-	(1)	-	**(373)**
Disposals from discontinued operations (note (c))	(680)	(40)	(5)	(5,129)	**(5,854)**
Depreciation charge	(1,694)	(194)	(80)	(7)	**(1,975)**
Exchange differences	(61)	(4)	(9)	(5)	**(79)**
Closing net book amount	**3,937**	**565**	**196**	**27**	**4,725**
At 30 June 2011					
At cost	11,583	1,789	792	35	**14,199**
Accumulated depreciation	(7,646)	(1,224)	(596)	(8)	**(9,474)**
Net book amount	**3,937**	**565**	**196**	**27**	**4,725**

a) Impairment loss and compensation
The impairment loss relates to the assets that were damaged in the storm (refer to note 3).

b) Additions from business acquisition
These additions relate to the acquisition of iPrint Corporate Pty Ltd on 30 June 2011 (refer to note 30).

c) Disposals from discontinued operations
These disposals relate to the sale of Kinkaid Pty Ltd on 1 July 2010 (refer to note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Goodwill

	2011 $'000	2010 $'000
At the beginning of the financial year		
Cost	**31,386**	32,032
Accumulated impairment losses	**(137)**	(137)
Net book amount	**31,249**	31,895
During the financial year		
Opening net book amount	**31,249**	31,895
Additions (note 30)	**2,633**	-
Disposals (note 5)	**(1,427)**	-
Exchange differences	**(547)**	(646)
Closing net book amount	**31,908**	31,249
At the end of the financial year		
Cost	**32,045**	31,386
Accumulated impairment losses	**(137)**	(137)
Net book amount	**31,908**	31,249

a) Impairment testing of goodwill

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

	2011	2010
Pre-media and related services – Australasia	**28,572**	25,939
Pre-media and related services – United Kingdom	**3,336**	3,883
Web print – Australasia	**-**	1,427
Total Goodwill	**31,908**	31,249

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 the 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.

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

	Growth rate *		Discount rate **	
	2011 %	2010 %	**2011 %**	2010 %
Pre-media and related services – Australasia	**5.0**	5.0	**14.4**	15.8
Pre-media and related services – United Kingdom	**5.0**	5.0	**11.9**	12.3
Web print – Australasia	**n/a**	3.0	**n/a**	11.7

* 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 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

There are no reasonable changes in the key assumptions that would cause the CGU's carrying amount to exceed its recoverable amount.

14. Other non-current assets

	2011 $'000	2010 $'000
Deposits paid	**36**	138

15. Trade and other payables

	2011 $'000	2010 $'000
Unsecured		
Trade payables	**7,471**	4,253
Goods and services tax (GST) payable	**808**	632
Other	**3,735**	2,088
	12,014	6,973

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 24.

16. Short-term borrowings

	2011 $'000	2010 $'000
Secured		
Lease incentive and finance lease liabilities (note 25)	**-**	88
Hire purchase liabilities (note 25)	**-**	636
Unsecured		
Other loans *	**-**	614
	-	1,338

* Other loans are repayable over a 5 year period.

The Group's exposure to risks arising from short and long-term borrowings is set out in note 24.

17. Current provisions

	2011 $'000	2010 $'000
Employee benefits	**2,733**	2,645
Provision for makegood (a)	**125**	431
	2,858	3,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Current provisions (continued)

(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.

Movement in provisions: Makegood

	2011 $'000	2010 $'000
Carrying amount at the beginning of the year	**431**	374
Exchange differences	**-**	(37)
Charged/(credited) to the income statement:		
- Additional provisions recognised	**125**	120
- Payments to make good	**(185)**	-
- Unused amounts reversed	**(246)**	(26)
Carrying amount at year end	**125**	431

18. Long-term borrowings

	2011 $'000	2010 $'000
Secured		
Hire purchase liabilities (note 25)	**-**	3,120
Unsecured		
Other loans *	**-**	408
	-	3,528

* Other loans are repayable over a 5 year period.

19. Non-current provisions

	2011 $'000	2010 $'000
Employee benefits	**529**	536
Provision for makegood (a)	**100**	153
	629	689

(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.

Movement in provisions: Makegood

	2011 $'000	2010 $'000
Carrying amount at the beginning of the year	**153**	75
Charged/(credited) to the income statement:		
- Additional provisions recognised	**72**	78
- Unused amounts reversed	**(125)**	-
Carrying amount at year end	**100**	153

20. Contributed equity

	2011 $'000	2010 $'000
39,190,001 (2010: 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 excluding non-controlling interests. 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 2011 the return was 18.3 percent (2010: 14.9 percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was nil (2010: 7.0 percent).

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 and pay away facilities. The Group has undertaken to adhere to financial reporting and other conditions as part of this arrangement. The other conditions consist of financial covenants for interest cover and debt to EBITDA ratios. The Group has given undertakings that these ratios will be within agreed limits, measured either against quarterly or twelve month rolling results. The Group has complied with the externally imposed capital requirements during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Retained earnings and reserves

	2011 $'000	2010 $'000
a) Reserves		
Foreign currency translation reserve	**(2,571)**	(1,762)
Movements:		
Foreign currency translation reserve:		
Balance at beginning of financial year	**(1,762)**	(942)
Currency translation differences during the year	**(809)**	(820)
Balance at end of financial year	**(2,571)**	(1,762)
b) Retained earnings		
Movements in retained profits were as follows:		
Balance at beginning of financial year	**13,174**	10,215
Net profit attributable to members of the parent	**9,623**	7,661
Dividends paid or provided for (note 23)	**(6,074)**	(4,702)
Balance at end of financial year	**16,723**	13,174

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, as described in note 2(m). The reserve is recognised in profit and loss when the net investment is disposed of.

22. Earnings per share

	2011 Cents	2010 Cents
a) Basic earnings per share		
- from continuing operations	**23.34**	19.55
- from discontinued operations	**1.22**	-
Total basic earnings per share	**24.56**	19.55
b) Diluted earnings per share		
- from continuing operations	**23.34**	19.55
- from discontinued operations	**1.22**	-
Total diluted earnings per share	**24.56**	19.55

	2011 $'000	2010 $'000
c) Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Profit from continuing operations	**9,623**	7,662
Profit from continuing operations attributable to non-controlling interests	**-**	(1)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**9,623**	7,661
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**9,625**	7,661
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	**9,625**	7,661

Weighted number of shares used as the denominator	**2011 No. '000**	2010 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Dividends

	2011 Cents	2011 $'000	2010 Cents	2010 $'000
a) Fully paid ordinary shares				
Final dividend				
Fully franked for the year ended 30 June 2010, Paid 17 September 2010 (2009: 23 September)	**8.0**	**3,135**	6.0	2,351
Interim dividend				
Fully franked for the half year ended 31 December 2010, Paid 31 March 2011 (2010: 15 April 2010)	**7.5**	**2,939**	6.0	2,351
	15.5	**6,074**	12.0	4,702
b) Dividends not recognised at year end				
Final dividend				
Fully franked final dividend for the year ended 30 June 2011, to be paid 15 September 2011 (2010: 17 September 2010)	**9.0**	**3,527**	8.0	3,135
	9.0	**3,527**	8.0	3,135

c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2011 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 2011.

	2011 $'000	2010 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2010: 30%)	**8,311**	7,282

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

a) franking credits that will arise from the payment of the amount of the provision for income tax;

b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

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

The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability at year end will be a reduction in the franking account of $1,511,614 (2010: $1,343,657).

24. 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 income and expenses are recognised, in respect of each class 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.

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

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

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

The Group 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management and instruments (continued)

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. Goods are sold subject to retention of title clauses or rights to withhold data, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents the estimate of incurred losses in respect of trade and other receivables and investments. 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.

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	**2011 $'000**	2010 $'000
Cash and cash equivalents	6	**17,608**	4,695
Trade receivables	8	**11,250**	11,718
Other receivables	8	**112**	735
		28,970	17,148

The Group's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was $11,250k (2010: $11,718k).

Impairment losses

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

	Gross 2011 $'000	**Impairment 2011 $'000**	Gross 2010 $'000	Impairment 2010 $'000
Not past due	**8,403**	**-**	7,404	-
Past due 0-30 days	**1,939**	**-**	3,125	-
Past due 31-120 days	**923**	**15**	1,059	25
Past due 121 days to one year	**27**	**27**	167	36
More than one year	**-**	**-**	226	202
	11,292	**42**	11,981	263

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

	2011 $'000	2010 $'000
Opening balance at 1 July	**263**	318
Impairment loss recognised	**10**	28
Receivables written off during the year as uncollectible	**(9)**	(72)
Disposal of Kinkaid Pty Ltd	**(202)**	-
Foreign exchange movement	**(20)**	(11)
Closing balance at 30 June	**42**	263

24. Financial risk management and instruments (continued)

The creation of the provision for impaired receivables has been included in 'other expenses' in the income statement. 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:

- $6.0 million commercial bill facility;
- $1.0 million hire purchase and lease facility;
- $1.46 million bank guarantee facility;
- $1.0 million secured overdraft facility; and
- $2.3 million sundry cashing facility.

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

2011 ($'000)

Non-derivative financial liabilities	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Unsecured loans	-	-	-	-	-	-	-
Hire purchase liabilities	-	-	-	-	-	-	-
Trade and other payables	12,014	12,014	12,014	-	-	-	-
	12,014	**12,014**	**12,014**	**-**	**-**	**-**	**-**

2010 ($'000)

Non-derivative financial liabilities	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Unsecured loans	1,022	1,188	92	92	184	820	-
Hire purchase liabilities	3,756	4,189	452	452	3,285	-	-
Trade and other payables	6,976	6,976	6,976	-	-	-	-
	11,754	**12,353**	**7,520**	**544**	**3,469**	**820**	**-**

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 2011 or the year ended 30 June 2010 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. Financial risk management and instruments (continued)

Currency risk

The Group does not have material transactions between businesses in Australia and overseas 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 which would give rise to any foreign currency risk. The Group considers itself a long term holder of the assets of Wellcom London Ltd (formerly Keene Repro Ltd), Wellcom Group Pte Ltd and Wellmalaysia Sdn Bhd, and as such does not consider 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.

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 2011**				30 June 2010
	GBP	**NZD**	**SGD**	**MYR**	GBP	NZD	SGD
Trade receivables	**722**	**95**	**100**	**29**	1,268	116	48
Trade payables	**(153)**	**(48)**	**(1)**	**0**	(247)	(65)	-
Gross exposure	**569**	**47**	**99**	**29**	1,021	51	48

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
$1 AUD : 1	**2011**	2010	**2011**	2010
GBP	**0.6212**	0.5588	**0.6614**	0.5682
NZD	**1.3044**	1.2559	**1.3004**	1.2296
SGD	**1.2772**	1.2409	**1.3092**	1.1972
MYR	**3.0400**	-	**3.2814**	-

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) 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 2010.

	Equity $'000	**Profit or loss $'000**
30 June 2011		
GBP	**52**	**-**
NZD	**4**	**6**
SGD	**9**	**-**
MYR	**3**	**-**
30 June 2010		
GBP	93	-
NZD	8	2
SGD	4	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2011 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.

24. Financial risk management and instruments (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short-term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost and its ability to service the cost, using a combination of sensitivity analysis against the underlying cash flows of the revenue generating assets purchased, matching loan terms against the life of the cash generating assets, the available mix of funding options allowing for floating rate facilities to average interest rates and the availability of entering into interest rate swaps and similar products if required.

Profile

At reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	Carrying Amount	
	2011	2010
	$'000	$'000
Fixed rate instruments		
Financial assets	**10,000**	2,500
Financial liabilities	**-**	(4,866)
	10,000	(2,366)
Variable rate instruments		
Financial assets	**7,608**	2,195
Financial liabilities	**-**	-
	7,608	2,195

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not have derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points ('bp') in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

	Equity	**Profit or loss**
	$'000	**$'000**
30 June 2011		
Variable rate instruments	**49**	**49**
Cash flow sensitivity (net)	**49**	**49**
30 June 2010		
Variable rate instruments	28	28
Cash flow sensitivity (net)	28	28

A decrease of 100 basis points ('bp') in interest rates at the reporting date would have had the equal opposite effect on the above instruments 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 and 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 statement of financial position and in the notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. 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 – building rental

The Group leases various offices under non-cancellable operating leases expiring within 1 to 7 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:

	2011 $'000	2010 $'000
Within one year	**2,338**	2,470
Later than one year but not later than five	**7,672**	4,705
Later than five years	**659**	2,524
	10,669	9,699

ii) Finance lease and hire purchase

During the prior year the Group financed various plant and equipment under lease or hire purchase finance.

Commitments in relation to finance and hire purchase leases are payable as follows:

Within one year	-	933
Later than one year but not later than five years	-	3,285
Minimum payments*	-	4,218
Future finance charges	-	(434)
Recognised as a liability	-	3,784
Lease incentives in relation to non-cancellable operating leases included in lease liabilities	-	60
Total lease liabilities	-	3,844
Representing:		
Finance liabilities		
- Current (note 16)	-	724
- Non-current (note 18)	-	3,120
	-	3,844

*Minimum lease payments includes the aggregate of all lease payments and any guaranteed residual.

26. 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 2011 two reportable segments existed, namely the provision of pre-media services in Australasia and the provision of pre-media services in the United Kingdom. In the prior year a third reportable segment existed which was disposed of on 1 July 2010, namely the provision of web offset printing services in Australasia (refer to note 5).

The following tables present revenue, profit, total asset and total liability information for the years ended 30 June 2011 and 30 June 2010.

b) Segment information provided to the Board of Directors

2011

	Pre-media – Aust $'000	Pre-media – UK $'000	Elimination $'000	Total continuing operations $'000
Revenue from external customers	50,595	6,653	-	57,248
Inter-segment revenue	872	-	(872)	-
Total segment revenue	**51,467**	**6,653**	**(872)**	**57,248**
Segment result	**11,453**	**728**	**-**	**12,181**
Interest revenue	434	-	-	434
Interest expense	(128)	(25)	-	(153)
Depreciation and amortisation	(1,803)	(172)	-	(1,975)
Joint venture income	972	-	-	972
Income tax expense	(3,024)	43	-	(2,981)
Total segment assets	**73,044**	**3,441**	**(6,784)**	**69,701**
Total segment liabilities	**17,892**	**2,644**	**(3,342)**	**17,194**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. Segment information (continued)

2010

	Pre-media – Aust $'000	Pre-media – UK $'000	Web Printing $'000	Elimination $'000	Total continuing operations $'000
Revenue from external customers	48,129	6,494	-	-	54,623
Inter-segment revenue	832	-	-	(832)	-
Total segment revenue	**48,961**	**6,494**	**-**	**(832)**	**54,623**
Segment result	**11,811**	**(752)**	**-**	**(96)**	**10,963**
Interest revenue	171	-	-	-	171
Interest expense	(171)	(24)	-	-	(195)
Depreciation and amortisation	(2,246)	(210)	-	(96)	(2,552)
Impairment of assets by storm (note 3)	(351)	-	-	-	(351)
Joint venture income	1,011	-	-	-	1,011
Income tax expense	(2,856)	66	-	29	(2,761)
Total segment assets	**59,566**	**2,796**	**12,722**	**(6,922)**	**68,162**
Total segment liabilities	**7,250**	**2,430**	**10,437**	**(3,091)**	**17,026**

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 income statement.

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

	2011 $'000	2010 $'000
Segment result	**12,181**	10,963
Interest revenue	**434**	171
Interest expense	**(153)**	(195)
Corporate charges	**(1,307)**	(1,529)
Joint venture income	**972**	1,011
Income tax expense	**(2,981)**	(2,761)
Profit after tax from continuing operations	**9,146**	7,660

27. Key management personnel disclosures

(a) Directors

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

- Wayne Sidwell (Chairman and Chief Executive Officer)
- Amanda Brook (Chief Executive Officer) *(resigned 29 November 2010)*
- Charles Anzarut (Non-executive Director)
- Kerry Smith (Non-executive Director)

(b) Other key management personnel

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

- Stephen Rees (Chief Operating Officer)
- Julian Graham (Company Secretary, Chief Financial Officer)
- Michael Bettridge (Strategy and Global Business Development Manager)
- Craig Bevan (General Manager - New South Wales)
- Mark Parker (General Manager - Victoria) *(resigned 17 September 2010)*
- Andrew Sidwell (General Manager - Victoria) *(appointed 1 October 2010)*
- Chris Grawe (Managing Director - UK) *(appointed 1 May 2011)*

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

(c) Key management personnel compensation

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

	2011 $	2010 $
Short-term employee benefits	**2,406,168**	2,060,493
Post-employment benefits	**175,781**	159,861
Long-term benefits	**78,241**	63,955
	2,660,190	2,284,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. Key management personnel disclosures (continued)

d) Key management personnel equity holdings

Fully paid ordinary shares held in Wellcom Group Limited

Year ended 30 June 2011

	Opening balance 1 July 2010	Granted as remuneration	Other changes	Closing balance 30 June 2011	Balance held nominally
Directors					
W.W. Sidwell	25,433,211	-	-	25,433,211	-
A. Brook	-	-	-	-	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
	25,473,211	**-**	**-**	**25,473,211**	**-**
Other key management personnel					
S. Rees	16,000	-	-	16,000	-
L.J. Graham	47,310	-	-	47,310	-
M. Bettridge	120,000	-	-	120,000	-
C. Bevan	10,000	-	(10,000)	-	-
M. Parker	40,000	-	(40,000)	-	-
A. Sidwell	-	-	139,100	139,100	-
C. Grawe	-	-	-	-	-
	233,310	**-**	**89,100**	**322,410**	**-**
	25,706,521	**-**	**89,100**	**25,795,621**	**-**

Year ended 30 June 2010

	Opening balance 1 July 2009	Granted as remuneration	Other changes	Closing balance 30 June 2010	Balance held nominally
Directors					
W.W. Sidwell	25,433,211	-	-	25,433,211	-
A. Brook	-	-	-	-	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	-	-	20,000	20,000	-
	25,453,211	**-**	**20,000**	**25,473,211**	**-**
Other key management personnel					
S. Rees	16,000	-	-	16,000	-
L.J. Graham	47,310	-	-	47,310	-
M. Bettridge	120,000	-	-	120,000	-
C. Bevan	10,000	-	-	10,000	-
M. Parker	50,000	-	(10,000)	40,000	-
J. Keene	-	-	-	-	-
	243,310	**-**	**(10,000)**	**233,310**	**-**
	25,696,521	**-**	**10,000**	**25,706,521**	**-**

27. Key management personnel disclosures (continued)

e) Loans from related parties

	2011 $	2010 $
Beginning of the year	**1,022,383**	629,178
Loans advanced	**-**	500,000
Loan repayments	**(1,022,383)**	(106,795)
Interest charged	**24,116**	40,036
Interest paid	**(24,116)**	(40,036)
End of year	**-**	1,022,383

No expenses have been recognised in respect of bad or doubtful debts due from related parties.

f) 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 personally related entities.

Revenue		
Kinkaid Pty Ltd	**1,150,302**	-
Total recognised as revenue	**1,150,302**	-
Expenses		
Kinkaid Pty Ltd	**208,727**	-
Legal fees	**48,756**	36,758
Rent	**565,376**	532,620
Total recognised as expenses	**822,859**	569,378

Aggregate amounts of assets and liabilities at the end of the reporting period relating to the above types of other transactions with key management personnel of the group:

Current assets	**318,240**	-
Current liabilities	**1,056**	-

Effective 1 July 2010 the Group disposed of its 50% shareholding in Kinkaid Pty Ltd (trading as Cadillac Printing) to interests associated with Wayne Sidwell, Executive Chairman of Wellcom Group Limited (refer to note 5). Mr Sidwell is a director and shareholder of Kinkaid Pty Ltd. The revenue and expenses arising during the year ended 30 June 2011 disclosed above were based on normal commercial terms and conditions.

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

The Company leases a building owned by a superannuation fund the assets of which the Chairman and Chief Executive Officer, Mr Wayne Sidwell, is a beneficiary. The rental agreement is based upon normal commercial terms and conditions and rents have been determined by independent valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. Related party disclosures

a) Equity interest in related parties

Equity interests in subsidiaries:

Interests in subsidiaries are set out in note 29.

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 27.

c) Transactions with other related parties

The following transactions occurred with other related parties:

	2011 $	2010 $
Sales of goods and services		
Sale of pre-media and print services	**2,085,170**	2,492,621
Purchases of goods and services		
Purchase of pre-media and print services	**449,903**	543,500
Dividend revenue		
Jointly controlled entities	**1,000,000**	1,500,000
Third party superannuation contributions		
Contributions to superannuation funds on behalf of employees	**1,764,431**	1,960,354

Sales and purchases of goods and services and dividend revenue received relates to transactions with iPrint Corporate Pty Ltd. iPrint Corporate Pty Ltd was acquired by the Group on 30 June 2011 (refer to note 30) and became a subsidiary of the Group on that date. Prior to acquisition iPrint Corporate Pty Ltd was a jointly controlled entity of the Group.

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

The following balances are outstanding at the reporting date in relation to transactions with related parties:

Current receivables		
Jointly controlled entities	**-**	476,390
Current payables		
Jointly controlled entities	**-**	27,045

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

e) Terms and conditions

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

Outstanding balances are unsecured and are repayable in cash.

29. 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(c):

Name of entity	Country of incorporation	Class of shares	Equity holding* 2011	Equity holding* 2010
Wellcom Moving Images Pty Ltd	Australia	Ordinary	**100%**	100%
Kinkaid Pty Ltd (trading as Cadillac Printing)**	Australia	Ordinary	**-**	50%
Wellcom London Ltd (formerly Keene Repro Ltd)	United Kingdom	Ordinary	**100%**	100%
Wellcom Group Pte Ltd ^	Singapore	Ordinary	**100%**	100%
WellMalaysia Sdn Bhd ^^	Malaysia	Ordinary	**100%**	-
iPrint Corporate Pty Ltd #	Australia	Ordinary	**100%**	50%

* The proportion of ownership interest is equal to the voting power held.
** Kinkaid Pty Ltd was disposed of on 1 July 2010. Refer to note 5.
^ Wellcom Group Pte Ltd was incorporated on 9 December 2009.
^^ WellMalaysia Sdn Bhd was incorporated on 5 August 2010.
# The additional 50% of iPrint Corporate Pty Ltd was purchased on 30 June 2011. Refer to note 30.

30. Business Combination

(a) Summary of acquisition

On 30 June 2011, Wellcom Group Limited acquired the remaining 50% of the shares in iPrint Corporate Pty Ltd which it did not own from Australian Postal Corporation, for a cash consideration of $375,100. Prior to the acquisition both Wellcom Group Limited and Australian Postal Corporation held a 50% joint venture interest in the company (refer to note 11).

iPrint Corporate Pty Ltd was incorporated in Australia on 5 October 2001 and operates a print management business. The acquisition has significantly increased the group's market share in this industry and complements the group's existing print management activities.

It was assessed by management that the carrying value of assets and liabilities of iPrint Corporate Pty Ltd on 30 June 2011 detailed below approximated the fair value of the assets and liabilities as at that date.

	Fair value $'000
Current Assets:	
Cash and cash equivalents	5,357
Trade receivables	3,502
Interest income receivable	29
Work in progress	1,121
Other current assets	12
Non-current assets:	
Property, plant and equipment	77
Deferred tax assets	70
Current liabilities:	
Trade and other payables	(7,481)
Provisions *	(2,376)
Non-current liabilities:	
Provisions	(2)
Deferred tax liability	(9)
Net identifiable assets acquired	**300**

* Included within current provisions is the provision for a dividend payable to the former joint venture partners of $1,876,312.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. Business Combination (continued)

	Fair value $'000
Goodwill arising on acquisition	2,633
Represented as follows:	
Purchase consideration	375
Fair value of previously owned interest in iPrint Corporate Pty Ltd *	2,558
Net identifiable assets acquired	(300)
Goodwill arising on acquisition	**2,633**

* The acquisition date fair value of the Group's 50% equity interest in iPrint Corporate Pty Ltd immediately prior to the acquisition was $2.56m. There was no gain or loss recognised as a result of remeasuring to fair value the Group's equity interest in iPrint Corporate Pty Ltd prior to the acquisition.

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

There were no acquisitions for the year ended 30 June 2010.

(i) Acquired receivables

The gross contractual amount for trade receivables due is $3,502,320 all of which is expected to be collectable.

(ii) Revenue and profit contribution

The acquired business contributed no revenue for the year ended 30 June 2011, as the transaction was settled on the last day of the financial year. As a result of the Group holding 50% of the share capital of the business prior to acquisition a total of $972,258 has been equity accounted within the income statement for the year ended 30 June 2011 (refer to note 11).

If the acquisition had occurred on 1 July 2010, consolidated revenue and profit for the year ended 30 June 2011 would have been $101.29m and $10.6m respectively. These amounts have been calculated using the Group's accounting policies.

(b) Purchase consideration – cash flow

	$'000
The cash inflow on acquisition is as follows:	
Net cash acquired with the subsidiary	5,357
Cash consideration	(375)
Net cash inflow – investing activities	**4,982**

31. Parent entity financial information

a) Summary financial information

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

	2011 $'000	2010 $'000
Statement of Financial Position		
Current Assets	**21,269**	14,227
Total Assets	**63,059**	59,207
Current Liabilities	**7,004**	6,065
Total Liabilities	**7,631**	6,705
Shareholders Equity		
Issued Capital	**38,355**	38,355
Retained Earnings	**17,073**	14,147
	55,428	52,502
Profit for the year	**9,000**	8,658
Total comprehensive income	**9,000**	8,658

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

As at 30 June 2011, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

c) Guarantees and contingent liabilities

As at 30 June 2011, the parent entity had no guarantees or contingent 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 2011, the Company declared a final dividend of 9 cents per ordinary share, payable from profits for the year ended 30 June 2011. The total final dividend proposed is $3,527,100 and will be franked to 100%. The record date for determining entitlements to the dividend is 1 September 2011 and the payment date is the 15 September 2011.

Acquisition of Mission Possible (Create) Ltd

On 1 July 2011 the Group acquired the business assets of Mission Possible (Create) Ltd, located in London (United Kingdom). The acquisition was funded by cash reserves.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1
160 Queen Street
Melbourne Victoria 3000

Solicitors
Anzarut & Holm Pty Ltd
Level 2, Professional Chambers
120 Collins 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 Stock Exchange and trade under the code WLL.

A.C.N 114 312 542

A.B.N 85 114 312 542

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 24 August 2011.

a) Distribution of equity securities

39,190,001 fully paid ordinary shares are held by 642 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	172
1,001 – 5,000	222
5,001 – 10,000	104
10,001 – 100,000	128
100,001 and over	16
Total shareholders	**642**

There were seven (7) holders of less than a marketable parcel of ordinary shares.

b) Substantial shareholders

	Fully paid ordinary shares	
	Number	**Percentage (%)**
Well.com Pty Ltd	25,070,911	63.97%
	25,070,911	**63.97%**

c) Twenty largest holders of quoted securities

	Fully paid ordinary shares	
	Number	**Percentage (%)**
Well.Com Pty Ltd	25,070,911	63.97%
Mirrabooka Investments Limited	1,907,277	4.87%
HSBC Custody Nominees (Australia) Limited	1,455,000	3.71%
Cogent Nominees Pty Limited	1,136,468	2.90%
National Nominees Limited	1,059,096	2.70%
Amcil Limited	814,716	2.08%
Mr Wayne William Sidwell	362,300	0.92%
Moggs Creek Pty Ltd	350,000	0.89%
Growth Equities Imputation Limited	295,017	0.75%
RBC Dexia Investor Services Australia Nominees Pty Limited	265,000	0.68%
Mandell Pty Ltd	220,000	0.56%
Mr Walter Frederick Holland	220,000	0.56%
Mrs Melinda Karen Tickel	200,000	0.51%
JP Morgan Nominees Australia Limited	159,518	0.41%
Mr Erik Adriaanse	150,000	0.38%
Mr Andrew Sidwell	139,100	0.35%
Mr Michael Bettridge	120,000	0.31%
Mrs Fiona Leanne Power	100,000	0.26%
Blueflag Holdings Pty Ltd	100,000	0.26%
Innsley Enterprises Pty Ltd	85,000	0.22%
	34,209,403	**87.29%**

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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
ON HP5500 DIGITAL PRESS

COVER
Monza 300gsm FSC* & Recycled

FRONT SECTION
Monza 130gsm FSC* & Recycled

FINANCIAL SECTION
Tudor RP 115gsm 100% Recycled

* FSC Sustainably Certified Paper Stock

WELLCOM WORLDWIDE

PROTECTING OUR ENVIRONMENT