wellcom group limited annual report 2013

LONDON KUALA LUMPUR SINGAPORE ADELAIDE MELBOURNE SYDNEY AUCKLAND

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.

wellcom group limited annual report

CONTENTS

executive chairman's report

SMART AND CONVERGENT PRODUCT AND TECHNOLOGY INTEGRATION IN TODAY'S BUSINESS ENVIRONMENT IS IMPERATIVE .

Dear Fellow Shareholder,

Since Wellcom began in 2000, the business has undergone a number of major transformations. These were in line with industry and technology shifts, but Wellcom has prided itself on leading the change. As a result we have become smarter and faster at what we do.

We have re-positioned ourselves into new marketing channels through change management and the deployment of our proprietary technology Knowledgewell. This has guaranteed that we not only remain relevant to the market, but continually meet and exceed client expectations.

To complement our ongoing process content management and technology upgrades, Wellcom has moved into content creation as one of our primary offerings. Previously we were content managers, today we are also content creators. This includes traditional design, copywriting, video, online design, Apps creation and digital photography.

The total service can be seen as a triangle. At the very top of the triangle sits the advertising agency that develops the 'big idea' and the strategic positioning. Progressing down the triangle the agency 'big idea' expands into variations and multimedia extensions. This is the Wellcom space.

Wellcom has prided itself on the talent of our PEOPLE, and our proprietary TECHNOLOGY base Knowledgewell. And through the combination of the two we can create cost effective, relevant, smart CONTENT.

As seen in the diagram to the left, the difference between what we do and what advertising agencies do, could never be clearer. But more importantly it opens up many more opportunities for existing clients as well as potential clients. It has seen our technologies being deployed inside many of Australia's top financial institutions and retailers.

Our software now includes upgrades to Promotional Manager, (Auto Page Builder) and Market Central (Local Area Marketing).

It has also seen our content creation services expanding locally with clients such as the Commonwealth Bank, National Australia Bank, David Jones, Brown Brothers and Snooze.

2012 saw strong downward pressure on price and client spend. To prepare for this we launched the 'Centre of Excellence' in Kuala Lumpur. Since launching it has grown substantially. This resource has given us a foundation to handle price-sensitive manufacturing type production work without compromising margin or quality.

Internationally, economic sentiment has been mixed. We work in markets that have been, and remain, heavily impacted by low consumer demand and confidence.

I was pleased to see that 2012–13 year finished with a solid second half easing the position that we found ourselves in with a soft start. Some credit can be attributed to our deliberate change of direction in offering content creation and this includes our new App creation and marketing business, Dreamwalk Interactive.

Content creation has also changed the business model for our Total Facilities Management Hubs. They are now referred to as Creative Hubs. The change for more creative solutions has changed the hub media mix.

As part of our ongoing management succession strategies and improved executive management process improvement, we have transferred one of our most senior operatives to manage and grow our foothold in the Asia marketplace. This is a concerted effort to maintain existing Asian client relationships, and at the same time, grow the business.

The sluggish UK market remains a challenging market. I'm delighted to report that our London operation has performed well. In spite of losing the Selfridges account, it quickly and diligently rebounded by adding significant new business wins with Long Tall Sally, L.K. Bennett, Innocean, and Great Little Trading Company.

Our New Zealand operation enjoyed an excellent year, as did our digital print business Digital House. They delivered a strong result working out of their new state-of-the-art facilities in Port Melbourne. Also delivering solid results were Wellcom's Print Management Division, with sound improvement from Wellcom Melbourne.

Carrying over from last year we have continued our positive cash generation and are well prepared to consider acquisitions globally. Your Board has set well defined rules for acquisitions, and we remain committed to diligently pursue any opportunities.

It has been a challenging year across most of our markets. I believe our strong finish to the year has emanated from our new direction in terms of content creation at the upper end, and offshore production at the manufacturing end. This has defied the economic global uncertainty, and I believe we can grow this further for 2013–14.

On behalf of all shareholders I would like to thank Wellcom's loyal clients and our dedicated staff for their ongoing hard work and support with special thanks to all of our management teams globally. This year we have seen a reasonable result given a challenging economic environment, and once again Wellcom will offer shareholders a strong fully franked dividend.

Yours faithfully,

Wayne Sidwell
EXECUTIVE CHAIRMAN

MR WAYNE SIDWELL
EXECUTIVE CHAIRMAN

PEOPLE
CONTENT
TECHNOLOGY
THINKING
DOING
DELIVERING

the wellcom board

MR KERRY SMITH
NON EXECUTIVE DIRECTOR

Kerry Smith joined Wellcom Group Limited in March 2006 and acts as chairman of the Company's Audit Committee. Kerry is a Chartered Accountant with over thirty years experience. He served on the Audit and Credit & Risk Committees of Schroders Australia from 1992 to 2000. He is a director of SMS Management & Technology Limited and a member of its Audit Committee.

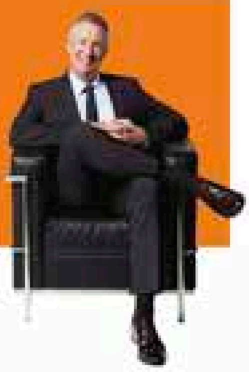
MR WAYNE SIDWELL
EXECUTIVE CHAIRMAN

Wayne Sidwell was the founder and managing director of the original Wellcom business established in 2000.
Wayne brings some thirty years experience in the graphics arts and allied advertising industries.

MR CHARLES ANZARUT
NON EXECUTIVE DIRECTOR

Charles Anzarut combines his work as a practicing solicitor with his role as a non-executive director of the Wellcom Group. Charles joined the Wellcom Group Board in May 2005.

ceo's report



Dear Fellow Shareholder,

The role of CEO within the Wellcom Group is both a privilege and a unique opportunity not just for me personally, but for any senior executive.

Since joining Wellcom I have participated in various directional and business changes that have taken place over my time as COO, and more recently as CEO. These changes have been progressive, and in some cases quite rapid.

Our biggest change was taking the business from a production company to a content management company. This was underpinned by the deployment of our proprietary Knowledgewell software. In this financial year we saw significant software license sales to both financial and corporate clients alike.

The other challenge we experienced was to address downward price pressure for high volume manufacturing production artwork. Much of this was being produced at hub level and was going to become a pressure point that required a robust solution.

To meet the challenge, we extended our existing Wellcom Kuala Lumpur ‘Centre of Excellence’ operation. This is a business that offers high volume artwork capability matched to Wellcom’s high quality assurance. The ‘Centre of Excellence’ delivers lower cost without compromising quality.

So with the advent of these two major strategies we have taken content management to new horizons.

This past year we have built on our content management pedigree, and now we lift the bar higher into the realm of content creation. What began as an internal Wellcom division, our creative departments now service clients looking for a lower cost and faster to market creative solution. Positioned below advertising agencies they sit in what is called in the industry the 'below the line' marketing sector. It is a space that draws a significant line between simple content creation, and the advertising agency’s ‘big idea’ and ‘strategic direction’.

Content creation is incredibly important for the future direction of Wellcom’s very successful hubs that represent 73% of turnover. This completes Wellcom’s business matrix of PEOPLE, TECHNOLOGY and cost effective, creative CONTENT.

To underpin this we have identified existing skillset capacities, and defined where additional upskilling is required. We will determine which hub clients require certain content creation products, including what types of media they want their content delivered to.

Being a media neutral business, Wellcom can produce client creative content in any form of rich media and deliver that content to online, digital, press or print.

I was disappointed with our soft start to 2012–13. It became evident into the first half of the year that client spends had been reduced. This meant we too had to review our options. Thus the strategy for content creation became a vital component to foster upsell throughout our large client base. Along with our Knowledgewell software license sales strategy, both contributed to a stronger finish for the second half of the year.

The other strategy that we have recently adopted has been our convergence strategy whereby we bring together related products within the same process map of services, and then offer these as a cross-sell to clients. With the inclusion of DreamWalk Interactive, we can extend the offering through App marketing as part of this overall sell. This will create further opportunities for us in 2014.

My executive management team has been highly active in deploying all of the strategies already mentioned. Our annual executive management conference is now the pinnacle for planning and direction. The workshops have proven to be pressure-testing forums for new strategies. The conference includes all our global executives, and reports are presented to the Board. Having such synergistic management means we can share international experience and trends.

The results for 2012–13 saw net revenues fall, driven in part by a general reduction in client spend, as previously mentioned. This was further impacted by our investments into our future business including next generation technology products and, the Malaysian ‘Centre of Excellence’. This resulted in NPAT being down by 18% to $7.85m compared to $9.59m for 2011–12.

However, I was encouraged with the better second half year in terms of sales, supported by full contributions from recent client wins. This is further reinforced with a strong pipeline of new business opportunities.

We maintain strong cash generation, we have a debt free balance sheet and we provided a fully franked dividend. I’m confident of future growth from our new technologies, as well as traction from our recent strategy for increased content creation.

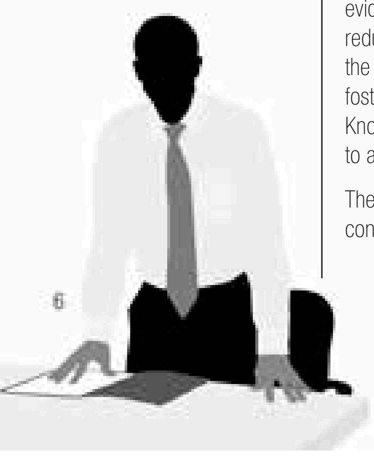
We have fervently reviewed and moderated our 2013–14 forecasts to best reflect consumer and economic sentiment globally. As with 2012-13, I view 2013–14 as a continuing consolidation year. It hinges on the extent of uncertainty around lowered business and consumer confidence – especially in the retail sector in Australia. But I believe we are well prepared.

The world is a changing market. Change is rapid. We have planned some structural changes to the business for 2013–14. They cover a broad range of the business from management, to software delivery, to hubs service offerings. They include a new marketing initiative, exploration of cloud-based delivery and the rationalisation of our software modules. This means a more specific and relevant choice of software for clients.

This has been a year where the Wellcom network has worked hard in what has been a tough global economic environment. I would like to thank my staff for their dedication and ongoing contribution. I would like to thank our clients, suppliers and shareholders for their continued support. In spite of economic uncertainty I remain confident that we are well placed for further growth in 2013–14.

Yours Faithfully,

Steve Rees
CHIEF EXECUTIVE OFFICER



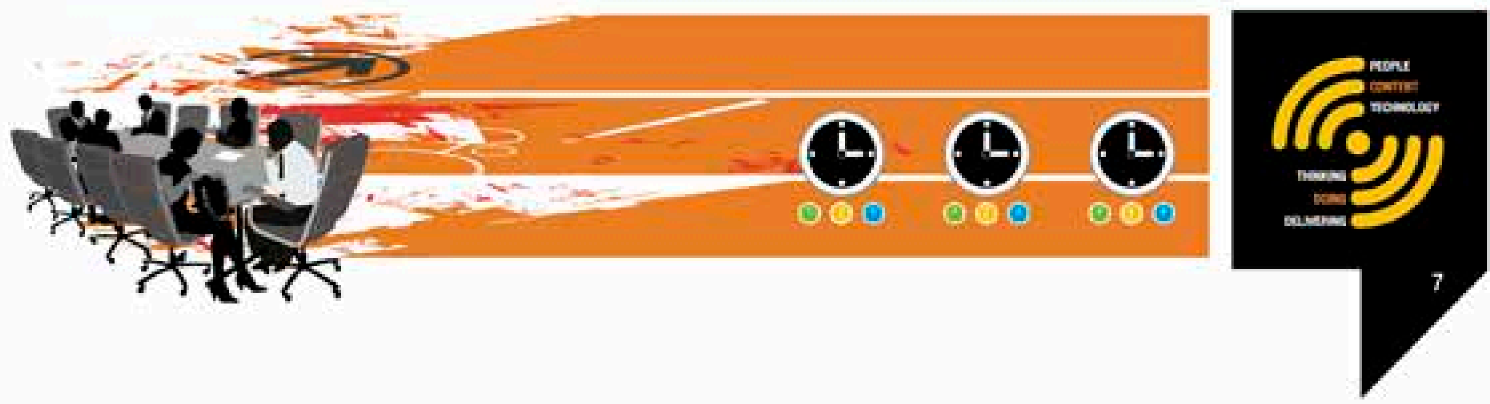
group earnings and highlights

FROM CONTINUING OPERATIONS	2013 $M	2012 $M
STATUTORY REVENUE	78.46	88.64
NET REVENUE*	53.61	55.76
EBITDA	11.93	15.16
UNDERLYING EBITDA MARGIN	22.3%	27.2%
DEPRECIATION/AMORTISATION	1.58	1.98
EBIT	10.35	13.18
EBIT MARGIN	19.3%	23.6%
NET INTEREST INCOME	0.49	0.65
NET PROFIT BEFORE TAX	10.84	13.83
TAXATION	2.99	4.24
NET PROFIT AFTER TAX	7.85	9.59
STATUTORY PROFIT AFTER TAX	7.85	9.59

EARNINGS	2013 $M	2012 $M
EARNINGS PER SHARE (EPS) FROM CONTINUING OPERATIONS	20.03	24.46
EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	20.03	24.46
DIVIDEND PER SHARE	18.0	18.0

* Excludes print management pass through costs

HIGHLIGHTS FOR 2012 – 2013
FULL SERVICE TFM (HUBS PRODUCTS AND SERVICES) GREW TO 73% FOR THE GROUP (UP FROM 71% IN FY12).
GROWTH IN CREATIVE PRODUCTION AND DIGITAL SERVICES TO CORPORATE AND RETAIL SECTOR CLIENT BASE.
CONTINUED DEVELOPMENT OF THE WELLCOM SOFTWARE SUITE, INCLUDING THE RELEASE OF PROMOTIONAL MANAGER (AUTO PAGE BUILDER) AND MARKET CENTRAL (LOCAL AREA MARKETING).
CENTRE OF EXCELLENCE PRODUCTION FACILITY ESTABLISHED IN KUALA LUMPUR NOW FULLY OPERATIONAL FOR GLOBAL NETWORK PRODUCTION.
INTEGRATION OF DREAMWALK PTY LTD (ACQUIRED 2ND JULY 2012).
NO DEBT, CASH FLOWS FROM OPERATING ACTIVITIES OF $7.60 MILLION AND CASH ON HAND OF $15.45 MILLION.
FULLY FRANKED FULL YEAR DIVIDEND MAINTAINED AT 18 CENTS PER SHARE.
STRONG SUCCESSION PLANING THROUGH INTERNAL APPOINTMENTS.
COMPLIMENTARY ACQUISITIONS THAT OFFER CUSTOMER AND CAPABILITY EXPANSION ARE BEING CONSIDERED.



thinking global...

...acting local...24/7

WELLCOM AUSTRALASIA

- Woolworths
- Australia Post
- ANZ Bank
- Westpac
- Citibank
- Bank of Melbourne
- Great Wall Motors
- Fantastic Furniture
- Estée Lauder
- Dan Murphy's
- Foodworks
- Coles
- Crossroads
- Foton Trucks
- Ssangyong
- BT Financial Services
- St.George Bank
- Bank of South Australia
- BP Australia
- Pacific Brands
- API Priceline
- Repco Australia
- BWS
- Crown Entertainment
- L'Oréal
- Harris Scarfe
- Samuelson Talbot & Partners
- M&C Saatchi - Optus
- David Jones
- DSE (Dick Smith Electronics)
- Ford Australia
- It's The Thought That Counts
- Toys 'R' Us
- Liquor Marketing Group (Bottlemart)
- Sigma Pharmaceuticals
- Kathmandu
- Masters Home Improvement
- AMP (NZ)
- DSE (Dick Smith Electronics) (NZ)
- Repco (NZ)
- Snooze
- Jetstar
- National Australia Bank
- Tattersalls Group
- Melbourne University
- Commonwealth Bank
- Brown Brothers
- JAS/Subaru
- Pretty Girl

WELLCOM UK

- Net-A-Porter
- Long Tall Sally
- L K Bennett
- Links of London
- Innocean
- Great Little Trading Company
- Independent Print Ltd
- DKNY (U.S client)
- Donna Karan Inc (U.S client)
- Laird & Partners (U.S client)
- The Signet Group
- Jaeger
- Jack Will
- Sony Home Entertainment
- Harlequin UK Ltd
- GAP
- Phase Eight
- National Savings & Investments
- De Beers Jewellers
- Independent Print Ltd
- Marks and Spencer
- Daks Simpson Ltd
- CUBO
- Bartle Bogle Hegarty (BBH) Advertising London

WELLCOM ASIA

- Courts Megastores Singapore
- Courts Megastores Malaysia
- Bartle Bogle Hegarty (BBH) Advertising Singapore

review of operations

This was a very important year for Wellcom with three intrinsically linked strategic products and software implementations.

Each strategy brought with it varying directional change. Some required rapid change, others transitional change.

These included the launch of the Malaysian 'Centre of Excellence'; high level software upgrades to our enterprise level software; and a far reaching extension to our highly successful content management expertise.

This meant much smarter and more sophisticated content creation.

All three strategies provided superior solutions for all Wellcom clients internationally – from content creation, to content management, to content storage – plus digital distribution to any media.

THE WELLCOM CENTRE OF EXCELLENCE

In the previous 2011–12 period the completion of the global communications pipeline from London to Asia to Australia to New Zealand, gave rise to moving production across the globe.

This meant any urgent production work could be shifted across the network offering a virtual 24/7 window.

More particularly it was the starting point for the impending rollout of the Malaysian 'Centre of Excellence' for 2012–13.

By definition the 'Centre of Excellence' is a highly skilled content production facility specialising in high volume manufacturing type artwork and retouching. It is a Wellcom owned business situated in Kuala Lumpur. It adheres to Wellcom's highest quality standards and offers all clients a very cost effective offshoring option.

The importance of the 'Centre of Excellence' deployment cannot be emphasized enough. By the end of the 2012–13 timeframe, client demand saw the facility grow considerably in capacity and resourcing. This was faster than planned and it reflects the pressure on clients for pricing at the lower end of the graphics market globally.

This was a critical plan for holding and maintaining the price sensitive high volume manufacturing artwork and retouching market.

It means margin erosion is minimised, and allows our hub network to offer more value-add work, as well as the option to send specific work to the 'Centre of Excellence'.

WELLCOM CONTENT CREATION

From humble beginnings at Wellcom's Melbourne head office in 2011, saw a small creative department grow exponentially. This included copywriting; traditional design; online design; online development; video and post production; 3D illustration and animation, as well as the combination of retouching and illustration to create exceptional imagery.

Such a combination of service offering has shifted the balance of content creation. In 2012–13, creative design took on a much bigger role in the total Wellcom media mix.

Wellcom now services many blue chip corporations and retailers with creative content development.

review of operations

KNOWLEDGEWELL TECHNOLOGIES

Wellcom's enterprise software was further strengthened with advances across the suite of programs. This included specific development of Promotional Manager, (Auto Page Builder) and Market Central (Local Area Marketing). These further complemented the new Knowledgewell technology suites designed expressly for retailers and corporations alike. Wellcom's print management software enjoyed its first year of deployment with some significant new business wins including the Commonwealth Bank and the National Australia Bank.

TOTAL FACILITIES MANAGEMENT (HUBS)

In 2012–13 there was an emerging emphasis towards smarter design within the hubs network. Our content creation strategy had to meet this demand and has been successful.

Hubs generated 73% of Group revenue and represent the single biggest upsell of Wellcom services throughout the network.

Hubs are strategically important in the Wellcom offering to its clients. They remain an effective in-source outsource model, that offer clients over fifty products and services.

This year saw the first shift to design services in hubs, as well as the audit review of high volume manufacturing type work to the 'Centre of Excellence'.

For many years the basic hub service offering didn't change greatly, but this year the dynamics within hubs service offerings have shifted.

This year saw greater demand for both traditional design content management, and increased demand for online content creation.

WELLCOM AUSTRALASIA

Wellcom Australasia takes in Australia, Asia and New Zealand. Wellcom Australia is represented in Melbourne, Sydney, Adelaide and Auckland. It also includes Wellcom's print management services division (previously iPrint).

Wellcom Asia includes Singapore and Kuala Lumpur.

WELLCOM MELBOURNE

2012–13 saw an improvement on Wellcom Melbourne's previous year and is developing the future model for the content creation thrust for the Group.

Good new business wins with retailer Snooze, the National Australia Bank and wine manufacturer Brown Brothers.

WELLCOM SYDNEY

This is the Group's biggest market but saw lower than expected revenue due partly to lower client spend. New business included a fully serviced production hub for David Jones, Pretty Girl and creative video content and post-production for Subaru.

WELLCOM ADELAIDE

Another consistent year servicing client demand through artwork and digital print services and a growing change of direction into design for content creation.

WELLCOM PRINT MANAGEMENT SERVICES

Previously known as iPrint, this division has had a very solid year on the back of its enterprise level print management and procurement software. New business included NAB and Commonwealth Bank.

DREAMWALK INTERACTIVE

This technology business is an Apps design and development business. During the year it won a highly sought after APP OF THE DAY award at MacWorld in San Francisco. Dreamwalk's first year was to establish the business and its current programs for a future combined integration offering in concert with the greater Group.

DIGITAL HOUSE

Installed into state-of-art facilities in Port Melbourne, Wellcom's digital print division enoyed a strong 2012–13.

WELLCOM AUCKLAND

The Auckland office services Repco and its corporate hub at AMP.

The AMP hub has grown steadily throughout the year with a broad mix of media offerings from strong content creation and event design, to online and corporate brochureware.

The Auckland business moved into its new high profile office in the heart of the Auckland CBD. Wellcom Auckland has enjoyed a very solid year.

WELLCOM ASIA

Wellcom Asia is represented by Wellcom Singapore and Wellcom Kuala Lumpur. The end of the financial year saw the fulltime deployment of one of Wellcom's most senior operatives to manage the entire Asian operation.

Asia is identified as a key growth corridor in terms of growing the business within the local market and exploring acquisitions.

WELLCOM LONDON

The UK business is building a reputation for highly crafted retail fashion content creation. Not only does this encompass high level photography, but extends into turnkey design, virtual 3D and the most demanding illustrative retouching. They also manage significant campaign production and project management out of the US and Europe.

One of Wellcom London's key product offerings is its highly rated online photographic services. New business included Long Tall Sally, L K Bennett, Innocean, and Great Little Trading Company.

ACQUISITIONS

There have been no acquisitions this year. Acquisition funding is readily available as the Group enjoys a very strong cash position with zero debt.

However after rigorous investigations throughout the year, no suitable opportunities offered value for money or a synergistic business case for consideration.

key strategies for 2013 - 2014

STRATEGY 1

Wellcom has identified the requirement for providing clients with a niche content creation platform – one that sits outside of that offered by a client advertising agency. Findings out of America and the UK identify more integrated content businesses that can provide the integration of smart, fast and cost effective creative content. This is a niche offering and a future opportunity.

It includes every form of media including design, image capture, 3D illustration, 3D and 2D animation and we remain media agnostic – we produce content for any media. But the general thrust is for creative content driven by video demand and broadcast through online media. This could be social media, B2B or B2C online product information and eSales websites. This is a growth market.

STRATEGY 2

A revised Total Facilities Management (TFM) hubs strategy to address the shift to more definitive and smarter design and content creation. This will include traditional media and online media. In future TMFs will be referred to as Creative Hubs.

It will include a skills audit and an upskilling strategy where appropriate. This will become the vanguard offering as clients understand the power of such a resource within their office.

A second part of the hubs strategy is addressing the option to offer clients an alternative cost effective solution for manufacturing-type artwork by sending it to the 'Centre of Excellence'. Both strategies keep the hubs network vibrant in service offering and relevant in meeting any client requirement. This strategy will shore up work that Wellcom would not have kept without such a strategy.

STRATEGY 3

Knowledgewell has been launched as a suite of high level enterprise software tools. Within each suite there were subset modules. Our research has found that the software licensing arrangements did not necessarily fit a client's specific needs. For example, clients identified that they may like two modules from one software, one from another, and not wish to license a software module they would not require at the time of licensing.

In response, Knowledgewell will be re-worked to offer more licensing flexibility and clients will be able to mix-and-match modules.

STRATEGY 4

With a full-time Operations Manager placed in the Asian marketplace, we expect to drive new business within our existing operations. This opens the possibility to service clients in different Asian regions.

STRATEGY 5

To support all of the initiatives and strategies, Wellcom will be launching a marketing campaign so that promotional and sales material can be used for credentials pitches, sales pitches and general enquiries.

2012–13 saw an emphasis on cross-sell across the business. While this was one of the principal reasons for the uplift in revenue within hubs, it was also a result of combined selling between Wellcom Print Services and many Wellcom offices. This will be further promoted and is one of the success stories of the Executive Management Conference. Deamwalk Interactive will form of the 'smart' content creation upsell process map.

STRATEGY 6

Acquisitions remain a priority option for growing the Wellcom business. We will remain very actively engaged across the globe.

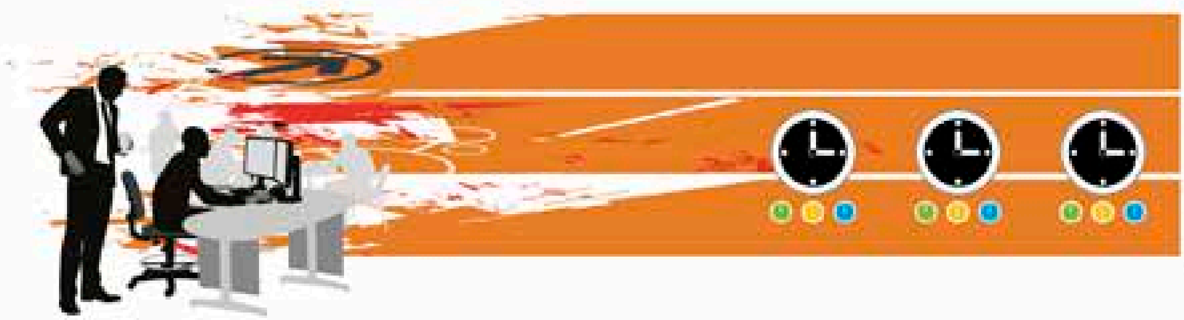
new business

Wellcom Australia added new business with the National Australia Bank, retail fashion labels Crossroads and Pretty Girl, Snooze, Brown Brothers, Foton Trucks and Ssangyong.

The Commonwealth Bank also extended their Wellcom offering with a significant Knowledgewell software licensing contract. Wellcom also picked up Subaru's video content creation and production with 3D animation ads planned for late 2013.

Wellcom London advanced its fashion credentials having won fashion icons L K Bennett, Long Tall Sally, Innocean and Great Little Trading Company.

1 Brown Brothers 2 L K Bennett – 360 degree eCommerce rotational product shoot 3 Long Tall Sally 4 L K Bennett – 360 degree catwalk video for eCommerce website 5 Crossroads 6 Snooze 7 Great Little Trading Company.



2014 outlook

For the past three years we have been exposed to poor economic conditions in three time zones. Over that time we examined cost, we rigidly maintained a fiscally responsible zero debt position, and remain in a very strong cash position. But the lingering presence of uncertainty across our markets has created a position that has not returned organic growth — that is the type of growth expected in more halcyon days.

We learnt what this meant in the first half of the 2012–13 year. It resulted in a good deal of preparation and planning to address the situation. This planning lead to the strategies that are being deployed for 2014.

While the economic outlook still remains clouded, we have nonetheless begun the implementation of our strategies. We anticipate that regardless of the fiscal situation, and by what varying degrees that may take, we are well prepared.

We are aiming our artwork products for three market categories. The first is the highly creative content sourced from Wellcom's central creative offices. The second is shifting the direction of our hubs into a 'Creative Hubs' offering, and the third is addressing the client requirement for the management of cost sensitive manufacturing artwork and production. This is both a cost effective and quality assured solution.

To digitally manage and distribute this content we will follow on from our success in 2012–13 with changes to our Knowledgewell software for additional license sales. Holistically, the Group has developed strategies with multi-offerings. This has emanated out of the Executive Management Conferences and was fully developed to sell an entire process map to existing or potential clients including design, creative hubs, print management and software. This is a unique offering. We will support sales with a solid marketing campaign to profile the business and the offering.

WELLCOM 'CENTRE OF EXCELLENCE'

We anticipate a significant rise in production turnover sent from all Wellcom offices across the globe. This operation has the capacity in terms of communications channels through high bandwidth to deliver data quickly, as well as production capability to meet any client requirement. The staff have the skillset and quality control expected from a very well managed and well organised facility. Price sensitive manufacturing artwork and production is not a trend – it is a permanent fact of marketing life.

WELLCOM AUSTRALASIA – CREATIVE HUBS

This business features the entire gamut of Wellcom products and services. It is inextricably linked to hub service provision, print management in tandem with hub services, software licensing and conceptual creative content.

The change of direction from Total Facilities Management hubs to Creative Hubs offers a greater relevance and marketing flexibility for clients, but more importantly it offers value-add in the provision of traditional and digital design. It can mean the Creative Hub becomes the most important resource in a client's marketing toolkit — print, online, digital delivery, digital asset management and print

2014 outlook

MIX & MATCH KNOWLEDGEWELL SOFTWARE TOOLS

management; through one channel, one point of contact; in-house.

Resilience in the face of economic circumstances has been as well prepared for as possible. The 'Centre of Excellence' protects the volume market and maintains margin. Cost effective design content creation gives clients a far more competitive marketing option in terms of cost, speed, accuracy and control. The higher-level content creation gives the client the opportunity to use a single source to build an App, design a campaign, create video, create online media and have it professionally project managed. This gives the client greater input, a highly creative product, faster to market service and doesn't come with the high cost normally associated with such marketing campaigns.

We are looking for further licensing contracts with our proprietary Knowledgewell software suites and this will be supported by a marketing campaign to boost sales leads and follow ups.

Most major contract re-negotiations were completed in the 2012–13 financial year. There are few contract renewals for 2013–14.

Wellcom Auckland has only recently moved into high profile offices in the Auckland CBD. This offers a completely new persona for the business and lends capacity for expansion. The AMP business will remain under contract for the duration and the foundation for new business development is being built in concert with the Australasian CEO.

WELLCOM ASIA

We have placed great emphasis on this business. It had a solid year, but we have not gained the traction we were hoping for in 2012–13. There is a good deal of potential for new business growth.

To capitalise on the opportunities available to us in Asia, we are placing one of our most senior Australian operatives as a fulltime position working out of Kuala Lumpur. We believe this should create more opportunities and reduce the gestation period in converting new business. We will also use the opportunity of having a fulltime presence to seek out possible acquisitions.

WELLCOM LONDON

In 2012–13 the London business held a highly regarded reputation for producing adaptation artwork, photography, high end pre-media, creative retouching and project management skills. This includes planning, preparation, and distribution of print and online campaigns. Based on this reputation it remains a gateway for clients in America to have marketing distribution handled out of Wellcom London.

From high volume production and management, Wellcom London shifted gear into fashion retail content creation through photography image capture and associated media to deliver the finest imagery to its client base. This has built the foundation stones for the London business as a well credentialed creative destination for clients looking for imaginative, innovative and inspired imagery. Wellcom London also specialise in web capture eCommerce for shopping trolley internet buying – this includes still and video capture, live action or rotational table-top.

There is no divide in online and traditional content creation as seen with the new business wins in 2012–13. Shoot for publishing, print catalogue, or shoot video and stills for online publishing – Wellcom can create all of this content. Totally re-create an image using photography and life-like 3D embellishment is just part of the offering for 2013–14.

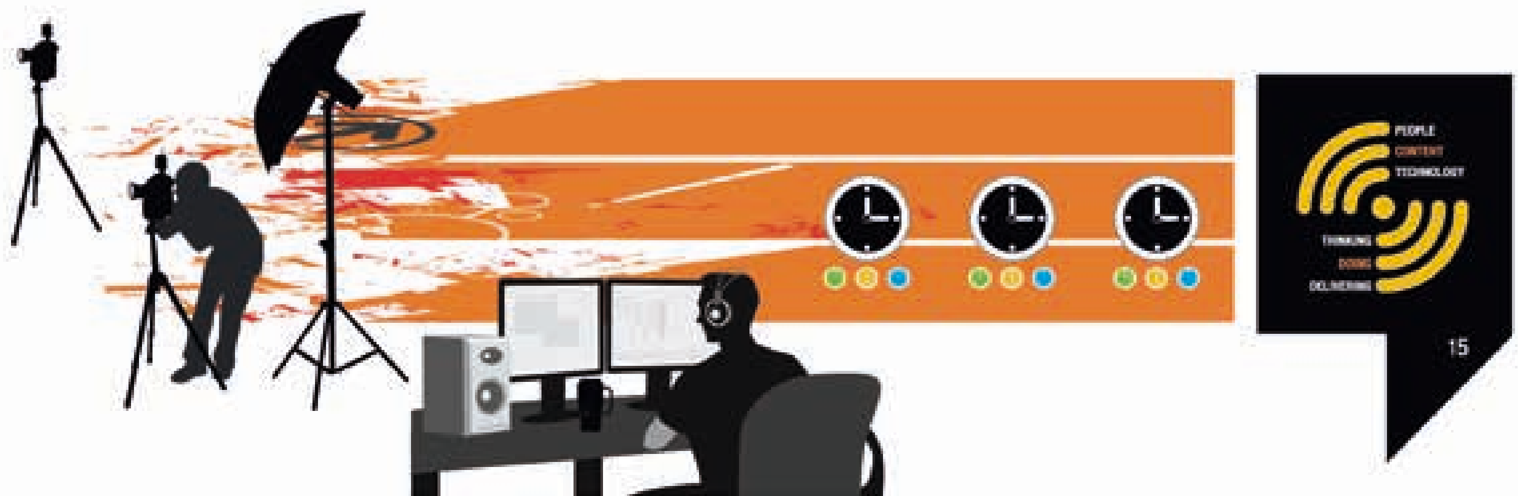
WELLCOM SOFTWARE SOLUTIONS

For 2013–14 the Knowledgewell software suite will be upgraded to allow clients to mix and match software modules between individual software tools. For example, each software tool came with a number of modules – these modules were exclusive to that particular software tool and if you wanted just one module, you had to license the entire software tool.

For 2013–14 clients will be able to 'pick and pack' modules off the shelf rather than buy the whole box. This means a more relevant offering based on an individual client requirements.

The expectation is that more clients will consider a smaller licensing fee by opting for fewer modules.

Then, if they require adding an additional module, they can do so as the need arises.



client > agency > client > wellcom

AGENCY < < < < **CLIENT** > > > > **WELLCOM**

THE BIG IDEA.
THE STRATEGY.
THE MEDIA PLAN.

CONTENT CREATION.
CONTENT MANAGEMENT.
CONTENT DISTRIBUTION.

The domain of the traditional advertising agency has never been so clear. Advertising agencies are the masters of the big idea, the driving strategy, and the well-rounded media plan. But this is not the space that Wellcom operates in. We are directly appointed by advertising savvy marketing managers who want to engage in conversations with stakeholders like Wellcom. They want to develop quality content that cuts through the clutter. No doubt, advertising agencies can produce the smartest creative, but their businesses were not built to deliver within the speed and cost parameters required for 'always-on' content marketing. Top brands need highly creative content – lots of it. Advertising agencies have highly creative people – lots of them. But this business model does not survive their clients' demands for content at scale delivered in much more nimble and cost efficient ways.

environment

The Wellcom Group holds true to the recognition of global warming and maintaining a reduction in our global footprint. The Group has set up environmental committees in each region and each business unit across the international network. Each committee works under the Wellcom Environmental Management System guidelines.

These committees have identified the types of energy consumption used by Wellcom's various businesses. These vary from business to business. Consumption type and consumption volume is monitored. The Board receives an Annual Environment Report from the office of the COO. The 2012–13 report is to be tabled at the September 2013 Board Meeting.

Listed in this report is an overview of the Wellcom Environmental Committee's work for 2012–13. Wellcom UK also has it's own ISO 14001 Environmental Accreditation reporting that sits outside of the general Environmental Committee reports, but will also be reported to the Board.

"WE BELIEVE AS AN ORGANISATION THAT THE EFFECTS OF CLIMATE CHANGE WILL HAVE FUTURE SOCIAL AND ECONOMIC CONSEQUENCES. WE WILL CONTINUE TO ASSESS OUR CARBON FOOTPRINT AND MINIMISE THIS WHERE POSSIBLE. THIS IS A GROUP-WIDE POLICY WHICH INCLUDES ACCREDITATION OF OUR SUPPLY CHAIN AND EXTENDS TO FUTURE BUSINESS ACQUISITIONS."

executive management team

THE GLOBAL EXECUTIVE MANAGEMENT TEAM MEETS REGULARLY TO DISCUSS GLOBAL TRENDS, BUDGETS, AND LOOK AT FUTURE STRATEGIES FOR THE GROUP.

1 STEVE REES
CHIEF EXECUTIVE OFFICER
HEAD I.T SERVICES
WELLCOM AUSTRALASIA

2 MICHAEL BETTRIDGE
MANAGING DIRECTOR
WELLCOM ASIA

3 ANDREW LUMSDEN
CHIEF FINANCIAL OFFICER

4 CHRIS GRAWE
MANAGING DIRECTOR
WELLCOM LONDON

5 CRAIG BEVAN
CHIEF OPERATING OFFICER
GENERAL MANAGER
WELLCOM NSW

6 ANDREW SIDWELL
GENERAL MANAGER
WELLCOM VIC

7 MELINDA PHILLIPS
GENERAL MANAGER
PRINT AND DIGITAL
MANAGEMENT SERVICES

8 JACLYN GORDON
GENERAL MANAGER
WELLCOM NZ

9 GIANNI CARRARO
GENERAL MANAGER
DIGITAL HOUSE

wellcom group limited financials

for the year ended
30 june 2013

A.C.N. 114 312 542

LONDON KUALA LUMPUR SINGAPORE ADELAIDE MELBOURNE SYDNEY AUCKLAND

financials for the year ended 30 june 2013

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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 *ASX Corporate Governance Principles and 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 that 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 role of a nomination committee, including the composition of the Board, appointment and retirement or removal of directors and succession planning, without the formal creation of a separate committee;
- 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.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Chief Executive Officer and senior executives. As part of the Board's oversight of senior management, all executives are subject to annual performance reviews. Each executive is assessed against a range of criteria including financial targets, key performance measures and adherence to the Company's values. A performance assessment for senior executives last took place in August 2012, in accordance with this process.

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;
- to establish gender diversity objectives and assess annually the objectives and progress in achieving them.

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 matter 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, among other things, the importance of a strategic relationship, competitive landscape, nature of the relationship and the contractual or other arrangements governing the relationship.

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 to one third), being the longest serving directors, retire at each annual general meeting of the Company. All directors, excluding the Executive Chairman, 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	8 years
C.A. Anzarut	8 years
K.B. Smith	7 years

Executive Chairman

The Chairman of the Board 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.

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.

Board and director evaluation

The process of evaluating the performance of the Board and individual directors is the responsibility of the Board under the direction of the Chairman. This self assessment process is undertaken annually.

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 three 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, relevant employees, and their related parties is only permitted during the four week period following the release of the half-yearly or annual financial statements to the market and after conclusion of the AGM, subject to additional provisions detailed within the code of conduct as available on the Company's website.

Diversity Policy

The Company values diversity and recognises the benefits it can bring to the organisation's ability to achieve its goals. Accordingly the Company has developed a diversity policy, a copy of which can be found on the Company's website. This policy outlines the Company's diversity objectives in relation to gender, age, cultural background and ethnicity. It includes requirements for the Board to establish measurable objectives for achieving diversity, and for the Board to assess annually both the objectives, and the Company's progress in achieving them.

In accordance with this policy and ASX Corporate Governance Principles, the Board has established the following objectives over the coming 2 to 3 years as director and senior executive positions and appropriately skilled candidates become available:

	Objective		Actual	
	Number	%	Number	%
Number of women employees in the whole organisation	136	40	123	36
Number of women in senior executive positions	3	30	2	20
Number of women on the Board	1	25	0	0

The Company has complied with the requests of the *Workplace Gender Equality Act 2012* in lodging its report for the 2012-13 reporting period with the Workplace Gender Equality Agency (WGEA). A copy of this report is available on the Company's website.

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 Group, 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. At 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 Corporate Governance Principles; and
- 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 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 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 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 rotates 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 a legal requirement of the external auditors to provide an annual declaration of their independence to the Board of Directors as required by the *Corporations Act 2001*.

The external auditor will attend the annual general meeting and be available to answer shareholders 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 kept fully informed of the Group's strategy and financial performance, which are compliant with the ASX listing rule disclosure requirements. 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's 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. Refer to Principle 4 for further comments regarding the responsibilities of the Audit Committee.

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

In complying with recommendation 7.3, 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; and
- 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's 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 Group'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 have been two (2) Remuneration Committee meetings held during the year. Details of directors' attendance at the committee meetings is outlined in the directors' report.

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

C.A. Anzarut (Committee Chairman)

W.W. Sidwell

K.B. Smith

ASX Corporate Governance Principles and Recommendations – 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) Best practice recommends that the role of Chairman be an independent director;

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

c) The Board undertakes the responsibility of the nomination committee rather than there being a separate nomination committee.

The exceptions listed above were for the whole of the financial year. The exceptions are primarily 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.

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 2013.

DIRECTORS

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

W.W. Sidwell (Executive Chairman)

Wayne William Sidwell was the founder and managing director of the original Wellcom business, established in 2000 and acquired by the Company from Well.com Pty Ltd in 2005. Wayne has more than 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 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 is a graduate of the Univeresity of Sydney with a Bachelor of Economics and has been a member of the institute of Chartered Accountants in Australia for over 30 years. He served on the Audit Committee of Schroders Australia from 1992 to 2000, and chaired 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.

COMPANY SECRETARY

A.S. Lumsden (Company Secretary – *appointed 25 January 2013*)

Andrew Stuart Lumsden was appointed as Company Secretary and Chief Financial Officer of the Group on 25 January 2013. Andrew has been employed with Wellcom since 2008. Prior to joining Wellcom Andrew spent 8 years within the audit & assurance practice of PricewaterhouseCoopers. He holds a Masters in Accountancy & Finance (Hons) and is a Chartered Accountant (CA).

L.J. Graham (Company Secretary – *resigned 25 January 2013*)

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 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	23,883,211*
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:

	2013 $'000	2012 $'000
Final dividend for the year ended 30 June 2012 of 10 cents per fully paid ordinary share paid on 19 September 2012 (2011: 9 cents)	**3,919**	3,527
Interim dividend for the half year ended 31 December 2012 of 8 cents per fully paid ordinary share paid on 21 March 2013 (2012: 8 cents)	**3,135**	3,135
	7,054	6,662

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 2013 of 10 cents per fully paid ordinary share. The dividend was declared on 21 August 2013, with a record date of 2 September 2013, to be paid on 13 September 2013 out of retained profits at 30 June 2013. 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;
- Software, Data and Facilities Management;
- Digital Photography;
- Television Production;
- Digital Print; and
- Computer to Plate (CTP) Production.

OPERATING AND FINANCIAL REVIEW

Operating results for the year

Group revenue of $78.46m (2012: $88.64m) represented a decrease of 11% over the previous financial year, with revenue (excluding print management pass through costs) of $53.61m (2012: $55.76m) representing a decrease of 4% over the same period. This followed generally soft activity and some pricing pressure across corporations and retailers in Australasia, where revenues fell approximately 3% year on year, together with the loss of a significant client in the United Kingdom, where revenues fell approximately 9% year on year.

Operating margins within the Group were adversely affected by the decline in revenues, decreasing 4% to 23% on a net revenue basis, notwithstanding increased investment in existing and next generation technology products and set-up costs relating to the establishment of the Group's Malaysian Centre of Excellence.

The continued investment in technology included the proprietary 'Knowledgewell' and 'Canopy' software tools which underpin the business' cost competitive offering, together with the acquisition of Dreamwalk Pty Ltd (effective 2 July 2012), a specialist developer of innovative mobile and web applications. These investments, together with the establishment of the Malaysian Centre of Excellence, allow the Group to continue to offer a cost effective solution to its current and future client base.

EBITDA from continuing operations decreased by 21% to $11.93m (2012: $15.16m), with EBIT from continuing operations decreasing by 21% to $10.35m (2012: $13.18m). NPAT from continuing operations attributable to the owners of the Group decreased 18% to $7.85m (2012: $9.59m), with the associated earnings per share from continuing operations decreasing 18% to 20.03 cents (2012: 24.46 cents).

The effective tax rate for the Group was 28% (2012: 31%) with a lower than average tax rate in the current year resulting from tax credits relating to the increased investment in software research and development, and a higher than average tax rate in the prior year arising from deferred tax adjustments relating to the acquisition of iPrint Corporate Pty Ltd.

The Group's future growth is expected to be underpinned by continued technological development, together with full year contributions from recent client wins and a strong pipeline of new business opportunities.

Shareholder returns

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

	2013	2012
Basic earnings per share (cents)	**20.03**	24.46
Return on net assets (%)	**13.86**	17.31
Dividend payout ratio (%)	**89.87**	73.59

Liquidity and financial condition

The Group generated $7.6m in cash from operating activities for the year ended 30 June 2013 (2012: $6.1m). Net assets increased $1.3m to $56.7m (2012: $55.4m). As at 30 June 2013 the Group has no net debt with cash and cash equivalents in excess of interest bearing liabilities by $15.5m (2012: $15.5m), providing flexibility to pursue complimentary acquisitions that would augment both the geographic and production capabilities of the business as they arise. The Group also has $8.1m of unused bank facilities as at 30 June 2013 (2012: $7.9m), and overall facilities of $9.2m (2012: $9.2m).

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 2013 financial year on 21 August 2013. The total amount of the dividend is $3.919m which represents a fully franked dividend of 10 cents per share. The dividend has not been provided for in the 30 June 2013 financial statements.

No other matter or circumstance has arisen since 30 June 2013 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, notwithstanding the challenging economic conditions in Australia and overseas.

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

SHARE OPTIONS

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

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Wellcom Group Limited paid a premium of $30,000 (2012: $36,600) to insure the directors, officers and senior management of the Company and its controlled entities.

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

DIRECTORS' MEETINGS

The number of meetings of directors held during the year ended 30 June 2013, together with the number of meetings attended by each director during that period were as follows:

	Directors' Meetings		Committee Meetings			
			Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
W.W. Sidwell	10	10	2	2	2	2
C.A. Anzarut	10	10	2	2	2	2
K.B. Smith	10	10	2	2	2	2

REMUNERATION REPORT (AUDITED)

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

Remuneration philosophy

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

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

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

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

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

Remuneration structure

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

Non-executive director remuneration

Objective

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

Structure

The ASX Listing Rules require the aggregate remuneration of non-executive directors be determined from time to time by a general meeting. During the financial year, each non-executive director received a set fee for being a director of the Company. The non-executive directors do not receive retirement benefits other than superannuation, nor do they participate in any incentive programs. Details of the remuneration of non-executive directors for the year ended 30 June 2013 and 30 June 2012 are set out in Table 1 and 2 respectively.

Executive director and key executive remuneration

Objective

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

Structure

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

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

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

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

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

L.J. Graham, Company Secretary and Chief Financial Officer *

A. Lumsden, Company Secretary and Chief Financial Officer **

C. Bevan, Chief Operating Officer

M. Bettridge, Managing Director, Asia

C. Grawe, Managing Director, UK

Details of the remuneration of key management personnel of the Group for the year ended 30 June 2013 are set out in the table below (Table 1).

Table 1

	Short-term employee benefits			Post-employment benefits	Long-term benefits		
Name	**Cash salary $**	**Bonus $**	**Non-cash benefits $**	**Super-annuation $**	**Long service leave $**	**Total $**	**At risk %**
Non-executive directors							
C.A. Anzarut	62,133	-	-	12,867	-	75,000	-
K.B. Smith	64,220	-	-	5,780	-	70,000	-
Sub-total non-executive directors	**126,353**	**-**	**-**	**18,647**	**-**	**145,000**	**-**
Executive chairman							
W.W. Sidwell	295,004	-	-	25,000	(55,929)	264,075	-
Other key management personnel							
S. Rees	315,202	-	-	16,470	21,107	352,779	-
L.J. Graham*	278,227	-	12,807	16,470	5,257	312,761	-
A. Lumsden**	179,198	-	-	15,804	3,976	198,978	-
C. Bevan	211,228	-	18,972	16,470	7,271	253,941	-
M. Bettridge	288,894	20,000	26,307	16,470	15,066	366,737	5.5
C. Grawe***	182,554	18,191	959	9,090	-	210,794	8.6
Total key management personnel compensation	**1,876,660**	**38,191**	**59,045**	**134,421**	**(3,252)**	**2,105,065**	**1.8**

* Mr Graham resigned from the position of Company Secretary and Chief Financial Officer on 25 January 2013. On the same date he was appointed General Manager of Wellcom Technologies. Amounts shown above include all of Mr Graham's remuneration during the reporting period.

** Mr Lumsden was appointed Company Secretary and Chief Financial Officer on 25 January 2013. Prior to this appointment he was the Company's Group Financial Controller. Amounts shown above include all of Mr Lumsden's remuneration during the reporting period.

*** Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2013.

Details of the remuneration of key management personnel for the Group for the year ended 30 June 2012 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 $**	**Total $**	**At risk %**
Non-executive directors							
C.A. Anzarut	59,633	-	-	15,367	-	75,000	-
K.B. Smith	64,220	-	-	5,780	-	70,000	-
Sub-total non-executive directors	**123,853**	**-**	**-**	**21,147**	**-**	**145,000**	**-**
Executive chairman							
W.W. Sidwell	390,006	-	-	50,000	61,152	501,158	-
Other key management personnel							
S. Rees	266,145	72,500	-	15,775	23,106	377,526	19.2
L.J. Graham	288,394	38,438	-	15,775	10,583	353,190	10.9
M. Bettridge	266,777	72,500	7,447	15,775	6,070	368,569	19.7
C. Grawe*	174,061	32,801	465	9,136	-	216,463	15.2
Total key management personnel compensation	**1,509,236**	**216,239**	**7,912**	**127,608**	**100,911**	**1,961,906**	**11.0**

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2012.

Employment contracts

W.W. Sidwell

The Executive Chairman, Mr Sidwell is employed under contract by Wellcom Group Limited. The current employment contract commenced on 1 July 2013 and terminates on 30 June 2015 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 6 months written notice. Where such notice is provided by either Mr Sidwell or the Company, the Company may request Mr Sidwell refrain from performing his duties for the duration of the notice period and provide payment in lieu of the notice period.
- The Company may terminate the contract without notice if serious misconduct has occurred.

Other key management personnel

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

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

Management Incentive Scheme

Details of the management incentive plan initiated by the Board for key management personnel for the years ended 30 June 2013 and 30 June 2012 are included below. The management incentive scheme represents the only portion of KMP remuneration that relates to performance.

Year ended 30 June 2013

Key management personnel

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

- An amount not exceeding 50% of their total remuneration package. This is calculated on the achievement of several performance criteria including: (1) the overall financial performance of the Group; (2) the financial performance of individual responsibility centres; and (3) performance based on quantitative and qualitative measures not connected to individual profit centres.
- The incentive shall be paid by way of either cash or shares, the method of payment is at the entire discretion of the Board.
- Any incentive payments due shall only be paid following the release of the full year's results for the Group to the ASX in relation to that financial year.

The following management incentives were approved by the Board in relation to the year ended 30 June 2013:

Year ended 30 June 2013	Remuneration package 1 July 2013 $	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid/ payable $
Key management personnel					
S. Rees	340,000	-	-	-	-
L.J. Graham	307,500	-	-	-	-
A. Lumsden	210,000	-	-	-	-
C. Bevan	250,000	-	-	-	-
M. Bettridge	340,000	-	20,000	-	20,000
C. Grawe *	191,644	-	-	18,191	18,191
	1,639,144	**-**	**20,000**	**18,191**	**38,191**

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2013.

Year ended 30 June 2012

Key management personnel

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

- An amount not exceeding 50% of their total remuneration package. This is calculated on the achievement of several performance criteria including: (1) the overall financial performance of the Group; (2) the financial performance of individual responsibility centres; and (3) performance based on quantitative and qualitative measures not connected to individual profit centres.
- The incentive shall be paid by way of either cash or shares, the method of payment is at the entire discretion of the Board.
- Any incentive payments due shall only be paid following the release of the full year's results for the Group to the ASX in relation to that financial year.

The following management incentives were approved by the Board in relation to the year ended 30 June 2012:

Year ended 30 June 2012	Remuneration package 1 July 2012 $	Performance criteria 1 $	Performance criteria 2 $	Performance criteria 3 $	Total incentive paid/ payable $
Key management personnel					
S. Rees	290,000	-	72,500	-	72,500
L.J. Graham	307,500	-	-	38,438	38,438
M. Bettridge	290,000	-	-	72,500	72,500
C. Grawe *	168,893	-	32,801	-	32,801
	1,056,393	**-**	**105,301**	**110,938**	**216,239**

* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2012.

Relationship between Group's performance and key management personnel remuneration

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

	2009	2010	2011	2012	2013
Management incentive as a % of target (%)	21.7	36.7	66.3	20.5	2.3
EBIT ($'000)	10,251	10,983	11,847	13,175	10,350
Dividends paid/payable (cents per share)	12.0	14.0	16.5	18.0	18.0
Change in share price between the start and the end of the year (%)	(10.5)	5.9	17.2	7.1	8.0

END OF THE AUDITED REMUNERATION REPORT

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 23 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 40 of the financial report.

NON-AUDIT SERVICES

The Group's auditor, HLB Mann Judd, did not provide any non-audit services to the consolidated entity during the year ended 30 June 2013.

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, 21 August 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Wellcom Group Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

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

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

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Jude Lau
Partner

Melbourne
21 August 2013

HLB Mann Judd (VIC Partnership)
Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2950, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (03) 9606 3888 | Fax: +61 (03) 9606 3800
Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

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" or "Wellcom") and its controlled entities ("the Group" or "consolidated entity"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidate income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

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

Level 9, 575 Bourke Street, Melbourne VIC 3000 | GPO Box 2850, Melbourne VIC 3001 | DX 154 Melbourne | Tel: +61 (03) 9606 3888 | Fax: +61 (03) 9606 3800

Email: mailbox@hlbvic.com.au | Website: www.hlbvic.com.au

HLB Mann Judd

Accountants | Business and Financial Advisers

Independence

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

Auditor's Opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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

In our opinion, the Remuneration Report of Wellcom Group Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001.*

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Wellcom Group Limited for the financial year ended 30 June 2013 published in the annual report and included on the Group's website. The Group's directors are responsible for the integrity of the Group's website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

HLB Mann Judd

HLB MANN JUDD
Chartered Accountants

Jude Lau
Partner

Melbourne
21 August 2013

directors' declaration

In the directors' opinion:

(a) the financial statements and notes set out on pages 44 to 91 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 2013 and of its performance for the financial year ended on that date, and

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

Note 2(a) 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, 21 August 2013

consolidated income statement

for the financial year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Continuing operations			
Revenue	3(a)	**78,462**	88,638
Other income	3(b)	**858**	812
Raw materials and consumables		**(30,677)**	(38,952)
Marketing expenses		**(444)**	(185)
Occupancy expenses		**(3,511)**	(3,228)
Employee benefits expense	3(c)	**(29,715)**	(28,533)
Depreciation, amortisation and impairment	3(d)	**(1,584)**	(1,982)
Finance costs	3(e)	**(112)**	(136)
Consulting expenses		**(135)**	(200)
Other expenses		**(2,300)**	(2,403)
Profit before income tax expense		**10,842**	13,831
Income tax expense	4(a)	**(2,991)**	(4,245)
Net profit for the year		**7,851**	9,586
Profit for the year is attributable to:			
Owners of Wellcom Group Limited		**7,851**	9,586
Earnings per share:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:			
Basic (cents per share)	18	**20.03**	24.46
Diluted (cents per share)	18	**20.03**	24.46
Earnings per share from profit attributable to the ordinary equity holders of the parent:			
Basic (cents per share)	18	**20.03**	24.46
Diluted (cents per share)	18	**20.03**	24.46

Notes to the consolidated financial statements are included on pages 49 to 91.

consolidated statement of comprehensive income

for the financial year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Profit for the year		**7,851**	9,586
Other comprehensive income			
Items that may be reclassified to the profit or loss		-	-
Foreign currency translation	17	**475**	(38)
Other comprehensive loss for the year, net of tax		**475**	(38)
Total comprehensive income for the year		**8,326**	9,548
Total comprehensive income for the year is attributable to:			
Owners of Wellcom Group Limited		**8,326**	9,548

Notes to the consolidated financial statements are included on pages 49 to 91.

consolidated statement of financial position

as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	5(a)	**15,450**	15,511
Trade and other receivables	7	**13,120**	12,095
Inventories and work in progress	8	**945**	1,015
Other current assets	9	**1,032**	900
Total current assets		**30,547**	29,521
Non-current assets			
Property, plant and equipment	10	**3,471**	4,129
Deferred tax assets	4(c)	**1,136**	1,303
Goodwill	11	**35,110**	32,886
Other non-current assets	12	**4**	-
Total non-current assets		**39,721**	38,318
Total assets		**70,268**	67,839
Current liabilities			
Trade and other payables	13	**8,175**	7,903
Current tax payables	4(b)	**142**	896
Provisions	14	**3,402**	3,012
Total current liabilities		**11,719**	11,811
Non-current liabilities			
Deferred tax liabilities	4(c)	**73**	47
Provisions	15	**1,811**	588
Total non-current liabilities		**1,884**	635
Total liabilities		**13,603**	12,446
Net assets		**56,665**	55,393
Equity			
Contributed equity	16	**38,355**	38,355
Retained earnings and reserves	17	**18,310**	17,038
Total equity attributable to owners of Wellcom Group Limited		**56,665**	55,393

Notes to the consolidated financial statements are included on pages 49 to 91.

consolidated statement of changes in equity

for the financial year ended 30 June 2013

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity attributable to owners of the parent $'000
At 1 July, 2012		**38,355**	**(2,609)**	**19,647**	**55,393**
Profit for the year		-	-	7,851	7,851
Other comprehensive income for the year		-	475	-	475
Total comprehensive income for the year		**-**	**475**	**7,851**	**8,326**
Transactions with owners in their capacity as owners:					
Dividends paid	19	-	-	(7,054)	(7,054)
At 30 June, 2013		**38,355**	**(2,134)**	**20,444**	**56,665**

	Note	Contributed equity $'000	Reserves $'000	Retained Earnings $'000	Total Equity attributable to owners of the parent $'000
At 1 July, 2011		**38,355**	**(2,571)**	**16,723**	**52,507**
Profit for the year		-	-	9,586	9,586
Other comprehensive loss for the year		-	(38)	-	(38)
Total comprehensive income for the year		**-**	**(38)**	**9,586**	**9,548**
Transactions with owners in their capacity as owners:					
Dividends paid	19	-	-	(6,662)	(6,662)
At 30 June, 2012		**38,355**	**(2,609)**	**19,647**	**55,393**

Notes to the consolidated financial statements are included on pages 49 to 91.

consolidated statement of cash flows

for the financial year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		**85,647**	96,922
Payments to suppliers and employees		**(74,381)**	(86,028)
Income tax paid		**(3,552)**	(4,680)
Interest and other costs of finance paid		**(112)**	(136)
Net cash provided by operating activities	5(b)	**7,602**	6,078
Cash flows used in investing activities			
Interest received		**604**	791
Payments for business acquisitions, net of cash acquired	26	**(329)**	(1,138)
Proceeds from sale of property, plant and equipment		**9**	23
Payment for property, plant and equipment		**(893)**	(1,189)
Net cash used in investing activities		**(609)**	(1,513)
Cash flows used in financing activities			
Dividends paid		**(7,054)**	(6,662)
Net cash used in financing activities		**(7,054)**	(6,662)
Net decrease in cash and cash equivalents		**(61)**	(2,097)
Cash and cash equivalents at the beginning of the year		**15,511**	17,608
Cash and cash equivalents at the end of the year	5(a)	**15,450**	15,511

Notes to the consolidated financial statements are included on pages 49 to 91.

notes to the consolidated financial statements

as at june 30 2013

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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 2013 was authorised for issue in accordance with a resolution of the directors on 21 August 2013.

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

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

2. Summary of significant accounting policies

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

a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iv) Historical cost convention

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

b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiaries at 30 June each year (the Group). Subsidiaries are all 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 2013 subsidiaries have comprised Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Moving Images Pty Ltd, iPrint Corporate Pty Ltd and Dreamwalk Pty Ltd.

Wellcom London 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)

b) Principles of consolidation (continued)

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

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

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

Dreamwalk Pty Ltd is 100% owned and controlled by Wellcom Group Limited. Dreamwalk Pty Ltd was dormant since the date of acquisition.

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.

c) Significant accounting judgements, estimates and assumptions

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

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

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

(i) Significant accounting judgements

Recovery of deferred tax assets

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

Impairment of non-financial assets other than goodwill

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

(ii) Significant accounting estimates and assumptions

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, 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 11.

notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

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

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.

Contingent purchase consideration

On 2 July 2012 the Group acquired the share capital of Dreamwalk Pty Ltd, located in Melbourne, Victoria. The acquisition involved an initial consideration of $340,000 that was funded by cash reserves. In the event that certain hurdles are achieved by the subsidiary for the 3 years ending 30 June 2015, estimated additional consideration of $1,540,000 may be payable in cash. The fair value of the contingent consideration of $1,540,000 was estimated using the discounted cash-flow method, using a discount rate of 13%, the Group's weighted average cost of capital. Refer to note 26.

d) Revenue recognition

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

Sale of goods

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

Rendering of services

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

Interest income

Interest income is recognised using the effective interest rate method.

Dividends

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

e) Borrowings

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

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

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

f) 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).

2. Summary of significant accounting policies (continued)

g) Cash and cash equivalents

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

h) Employee benefits

i) Short-term obligations

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

ii) Other long-term employee benefit obligations

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

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

i) Investments and other financial assets

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

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)

i) Investments and other financial assets (continued)

Loans and receivables

i) Trade receivables

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

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

ii) Loans and other receivables

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

j) Financial instruments issued by the company

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

k) 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.

l) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Translation and balances

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

2. Summary of significant accounting policies (continued)

l) 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 as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses 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.

m) Goods and services tax

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

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

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

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

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

n) Intangible assets

Intangible assets acquired in a business combination

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

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

notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

n) 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.

o) Goodwill

Goodwill acquired in a business combination is measured as described in note 2(w). Goodwill is recognised as an asset and not amortised, but tested for impairment annually and more frequently if there is an indication that the carrying amount may be impaired.

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

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

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

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.

p) 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)

p) 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.

q) Income tax

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

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

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

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

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

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

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

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

Investment allowances

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

notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

r) Leases

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

Group as lessee

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

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

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

Operating lease payments are recognised as an expense in the consolidated 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.

s) 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.

t) Property, plant and equipment

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

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

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

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

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

2. Summary of significant accounting policies (continued)

t) 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.

u) 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.

v) 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.

w) 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 issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent assets assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

w) Business combinations (continued)

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

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

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

x) 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.

y) 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.

z) 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.

aa) Parent entity financial information

The financial information for the parent entity, Wellcom Group Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements.

ab) 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.

2. Summary of significant accounting policies (continued)

ac) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments*: *Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements,* AASB 128 *Investments in Associates and Joint Ventures,* AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* and AASB 2012-10 *Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments* (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements,* and Interpretation 12 *Consolidation – Special Purpose Entities.* The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. AASB 11 will not have any impact on the amounts recognised in the financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Application of the amendments by the Group will not affect any of the amounts recognised in the financial statements.

notes to the consolidated financial statements

2. Summary of significant accounting policies (continued)

ac) New accounting standards and interpretations (continued)

The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

3. Profit from operations

	2013 $'000	2012 $'000
(a) Revenue		
Revenue from continuing operations	**78,462**	88,638
(b) Other income		
Interest revenue (bank deposits)	**604**	791
Other	**254**	21
	858	812
(c) Employee benefits expense		
Salaries and wages	**(29,537)**	(28,368)
Fringe benefits tax	**(76)**	(63)
Staff amenities	**(102)**	(102)
	(29,715)	(28,533)
(d) Depreciation, amortisation & impairment		
Depreciation of non-current assets	**(1,584)**	(1,982)
(e) Finance costs		
Interest expense	**(112)**	(136)
(f) Net loss on disposal of property, plant and equipment	**(23)**	(15)
(g) Rental expenses relating to operating leases		
Minimum lease payments	**(2,372)**	(2,516)
(h) Net foreign exchange gain	**135**	158
(i) Bad and doubtful debts	**-**	(13)

notes to the consolidated financial statements

4. Income taxes

	2013 $'000	2012 $'000
(a) Income tax recognised in profit or loss		
Tax expense comprises:		
Current income tax expense	**2,754**	3,889
Deferred income tax income relating to		
the origination and reversal of temporary differences	**193**	353
Current income charge in respect of previous years	**44**	3
Total income tax expense	**2,991**	4,245
Attributable to:		
Continuing operations	**2,991**	4,245
Deferred income tax revenue included in income tax expense comprises:		
Decrease in deferred tax assets (note 4(c))	**167**	315
Increase in deferred liabilities (note 4(c))	**26**	38
	193	353

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:

	2013 $'000	2012 $'000
Profit from continuing operations before income tax expense	**10,842**	13,831
Income tax expense calculated at 30% (2012: 30%)	**3,253**	4,149
Non-deductible expenses	**29**	12
Research and development deduction	**(197)**	(58)
Differences in overseas tax rates	**(96)**	(51)
Previously unrecognised tax losses recouped to reduce current tax expense	**(52)**	(36)
Under provided in prior periods	**44**	3
Foreign exchange translation adjustments	**-**	10
Adjustments for deferred tax of prior periods	**11**	223
Deferred tax assets not recognised	**-**	33
Change in unrecognised temporary differences	**(1)**	(40)
	2,991	4,245

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2012: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

4. Income taxes (continued)

	2013 $'000	2012 $'000
(b) Current tax assets and liabilities		
Current tax assets	**-**	-
Current tax liabilities	**142**	896
(c) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	**1,136**	1,303
Deferred tax liabilities comprise:		
Temporary differences	**73**	47

2013	Opening balance $'000	Charged/ Credited to Income $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Gross deferred tax assets:				
Doubtful debts	-	6	-	6
Provisions	1,062	15	-	1,077
Investments	82	(82)	-	-
Accruals	116	(96)	-	20
Property, plant and equipment	21	12	-	33
Tax losses	22	(22)	-	-
	1,303	**(167)**	**-**	**1,136**
Gross deferred tax liabilities:				
Interest receivable	37	25	-	62
Doubtful debts	10	1	-	11
	47	**26**	**-**	**73**

notes to the consolidated financial statements

4. Income taxes (continued)

2012	Opening balance $'000	Charged/ Credited to Income $'000	Acquisitions/ Disposals $'000	Closing balance $'000
Gross deferred tax assets:				
Doubtful debts	12	(12)	-	-
Provisions	1,034	28	-	1,062
Intangible assets	223	(223)	-	-
Investments	-	82	-	82
Accruals	265	(149)	-	116
Property, plant and equipment	25	(4)	-	21
Tax losses	59	(37)	-	22
	1,618	**(315)**	**-**	**1,303**
Gross deferred tax liabilities:				
Interest receivable	9	28	-	37
Doubtful debts	-	10	-	10
	9	**38**	**-**	**47**

	2013 $'000	2012 $'000
(d) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	**352**	559
Potential tax benefit	**85**	117

The above tax losses relate to overseas subsidiaries.

5. Cash and cash equivalents

	2013 $'000	2012 $'000
a) Cash and cash equivalents		
Cash on hand	**11**	7
Cash at bank	**2,439**	2,754
Cash on deposit	**13,000**	12,750
Total cash and cash equivalents	**15,450**	15,511

Cash at bank and on hand earns interest at floating rates based upon daily deposit rates. Cash on deposit earns interest at fixed rates based upon the bank deposit rate at the time of the deposit and in consideration of the term of the deposit. The interest rate applicable to cash on deposit at 30 June 2013 is 4.38% (2012: 5.42%). Cash is placed on deposit for terms between thirty (30) days to two hundred and ten (210) days depending upon bank interest rates and cash flow requirements of the Group.

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

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

	2013 $'000	2012 $'000
Net profit after income tax	**7,851**	9,586
Adjustments for non-cash income and expense items:		
Depreciation of non-current assets	**1,584**	1,982
Loss on disposal of non-current assets	**23**	15
Interest income received and receivable	**(604)**	(791)
Net exchange difference	**428**	(49)
Increase/decrease in assets/liabilities:		
Trade and other receivables	**(1,025)**	(733)
Inventories	**70**	640
Other assets	**(498)**	(116)
Trade and other payables	**261**	(4,134)
Income tax payable	**(754)**	(788)
Deferred tax balances	**193**	353
Provisions	**73**	113
Net cash from operating activities	**7,602**	6,078

c) Financing activities

	2013 $'000	2012 $'000
Secured bank finance facilities subject to annual review:		
- amount used	**1,157**	1,225
- amount unused	**8,074**	7,932
	9,231	9,157

notes to the consolidated financial statements

6. Remuneration of auditors

	2013 $	2012 $
(a) Auditor services		
HLB Mann Judd:		
Audit and review of the financial reports	**81,500**	84,980
HLB Mann Judd related practices:		
Audit and review of the financial reports	**7,706**	11,347
Other Auditors:		
Audit and review of the financial reports	**25,357**	24,565
Total remuneration for audit services	**114,563**	120,892
(b) Other services		
HLB Mann Judd related practices:		
Taxation services	**6,043**	12,234
Other services	**5,813**	8,658
Other Auditors:		
Taxation services	**2,345**	2,303
Total remuneration for non-audit services	**14,201**	23,195

7. Trade and other receivables

	2013 $'000	2012 $'000
Trade receivables	**12,912**	11,959
Allowance for doubtful debts (note 20)	**(72)**	(45)
	12,840	11,914
Sundry debtors	**74**	59
Interest income receivable	**206**	122
	13,120	12,095

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 20. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

8. Inventories and work in progress

	2013 $'000	2012 $'000
Raw materials at cost	**84**	95
Work in progress	**861**	920
	945	1,015

9. Other current assets

	2013 $'000	2012 $'000
Prepayments	**918**	900
Accrued income	**114**	-
	1,032	900

notes to the consolidated financial statements

10. 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 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**
Year ended 30 June 2012					
Opening net book amount	3,937	565	196	27	**4,725**
Additions	913	94	182	-	**1,189**
Additions from business acquisition (note (a))	225	-	-	-	**225**
Disposals/transfers	(4)	(5)	(3)	(27)	**(39)**
Depreciation charge	(1,701)	(170)	(111)	-	**(1,982)**
Exchange differences	11	-	-	-	**11**
Closing net book amount	**3,381**	**484**	**264**	**-**	**4,129**
At 30 June 2012					
At cost	12,401	1,879	975	-	**15,255**
Accumulated depreciation	(9,020)	(1,395)	(711)	-	**(11,126)**
Net book amount	**3,381**	**484**	**264**	**-**	**4,129**
Year ended 30 June 2013					
Opening net book amount	3,381	484	264	-	**4,129**
Additions	630	157	106	-	**893**
Additions from business acquisition (note (b))	17	-	1	-	**18**
Disposals/transfers	(92)	-	60	-	**(32)**
Depreciation charge	(1,288)	(183)	(113)	-	**(1,584)**
Exchange differences	35	9	3	-	**47**
Closing net book amount	**2,683**	**467**	**321**	**-**	**3,471**
At 30 June 2013					
At cost	12,850	2,050	1,144	-	**16,044**
Accumulated depreciation	(10,167)	(1,583)	(823)	-	**(12,573)**
Net book amount	**2,683**	**467**	**321**	**-**	**3,471**

a) These additions relate to the acquisition of Mission Possible (Create) Ltd on 1 July 2011 (refer to note 26).

b) These additions relate to the acquisition of Dreamwalk Pty Ltd on 2 July 2012 (refer to note 26).

11. Goodwill

	2013 $'000	2012 $'000
At the beginning of the financial year		
Cost	**33,023**	32,045
Accumulated impairment losses	**(137)**	(137)
Net book amount	**32,886**	31,908
During the financial year		
Opening net book amount	**32,886**	31,908
Additions (note 26)	**1,862**	897
Exchange differences	**362**	81
Closing net book amount	**35,110**	32,886
At the end of the financial year		
Cost	**35,247**	33,023
Accumulated impairment losses	**(137)**	(137)
Net book amount	**35,110**	32,886

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.

Pre-media and related services – Australasia	**30,434**	28,572
Pre media and related services – United Kingdom	**4,676**	4,314
Total Goodwill	**35,110**	32,886

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

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

	Growth rate *		**Discount rate ****	
	2013 %	2012 %	**2013 %**	2012 %
Pre-media and related services – Australasia	**3.0**	5.0	**12.7**	14.5
Pre media and related services – United Kingdom	**3.0**	5.0	**11.9**	12.0

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

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

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

c) Impact of possible changes in key assumptions

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

notes to the consolidated financial statements

12. Other non-current assets

	2013 $'000	2012 $'000
Deposits paid	**4**	-

13. Trade and other payables

	2013 $'000	2012 $'000
Unsecured		
Trade payables	**5,740**	5,078
Goods and services tax (GST) payable	**669**	636
Other	**1,766**	2,189
	8,175	7,903

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 20.

14. Current provisions

	2013 $'000	2012 $'000
Employee benefits	**3,248**	3,012
Contingent puchase consideration (note 26)	**154**	-
	3,402	3,012

15. Non-current provisions

	2013 $'000	2012 $'000
Employee benefits	**410**	538
Provision for makegood (a)	**15**	50
Contingent puchase consideration (note 26)	**1,386**	-
	1,811	588

(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.

15. Non-current provisions (continued)

Movement in provisions: Makegood

	2013 $'000	2012 $'000
Carrying amount at the beginning of the year	**50**	100
Charged/(Credited) to the consolidated income statement:		
- Unused amounts reversed	**(35)**	(50)
Carrying amount at year end	**15**	50

16. Contributed equity

	2013 $'000	2012 $'000
39,190,001 (2012: 39,190,001) fully paid ordinary shares*	**38,355**	38,355
	38,355	38,355

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

Capital risk management

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

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

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's aim is to achieve a minimum return on capital of 15 percent; during the year ended 30 June 2013 the return was 14 percent (2012: 17 percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was nil (2012: nil).

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

Wellcom Group Limited has entered into lending arrangements with its bankers to obtain overdraft, 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 six or twelve month rolling results. The Group has complied with the externally imposed capital requirements during the current and prior years.

notes to the consolidated financial statements

17. Retained earnings and reserves

	2013 $'000	2012 $'000
a) Reserves		
Foreign currency translation reserve	**(2,134)**	(2,609)
Movements:		
Foreign currency translation reserve:		
Balance at beginning of financial year	**(2,609)**	(2,571)
Currency translation differences during the year	**475**	(38)
Balance at end of financial year	**(2,134)**	(2,609)
b) Retained earnings		
Movements in retained profits were as follows:		
Balance at beginning of financial year	**19,647**	16,723
Net profit attributable to members of the parent	**7,851**	9,586
Dividends paid or provided for (note 19)	**(7,054)**	(6,662)
Balance at end of financial year	**20,444**	19,647
Total reserves and retained earnings	**18,310**	17,038

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(l). The reserve is recognised in profit and loss when the net investment is disposed of.

18. Earnings per share

	2013 Cents	2012 Cents
a) Basic earnings per share		
- from continuing operations	**20.03**	24.46
Total basic earnings per share	**20.03**	24.46
b) Diluted earnings per share		
- from continuing operations	**20.03**	24.46
Total diluted earnings per share	**20.03**	24.46

c) Reconciliations of earnings used in calculating earnings per share	**2013 $'000**	2012 $'000
Basic earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**7,851**	9,586
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**7,851**	9,586
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	**7,851**	9,586

Weighted number of shares used as the denominator	**2013 No. '000**	2012 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

19. Dividends

	2013 Cents	2013 $'000	2012 Cents	2012 $'000
a) Fully paid ordinary shares				
Final dividend				
Fully franked for the year ended 30 June 2012, Paid 19 September 2012 (2011: 15 September 2011)	**10.0**	**3,919**	9.0	3,527
Interim dividend				
Fully franked for the half year ended 31 December 2012, Paid 21 March 2013 (2012: 21 March 2012)	**8.0**	**3,135**	8.0	3,135
	18.0	**7,054**	17.0	6,662
b) Dividends not recognised at year end				
Final dividend				
Fully franked final dividend for the year ended 30 June 2013, to be paid 13 September 2013 (2012: 19 September 2012)	**10.0**	**3,919**	10.0	3,919
	10.0	**3,919**	10.0	3,919

c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2013 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 2013.

	2013 $'000	2012 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	**9,168**	9,725

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 $1,679,571 (2012: $1,679,571).

20. Financial risk management and instruments

a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised, in respect of each class 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 Executive Chairman, Chief Executive Officer and Chief Financial Officer are responsible for developing and monitoring risk management policies.

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

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

Credit risk

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

Trade and other receivables

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

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

notes to the consolidated financial statements

20. 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. The Group does not require collateral in respect of trade and other receivables.

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

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

Exposure to credit risk

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

	Note	2013 $'000	2012 $'000
Cash and cash equivalents	5	**15,450**	15,511
Trade receivables	7	**12,840**	11,914
Other receivables	7	**280**	181
		28,570	27,606

The Group's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was $12,840k (2012: $11,914k).

Impairment losses

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

	Gross 2013 $'000	Impairment 2013 $'000	Gross 2012 $'000	Impairment 2012 $'000
Not past due	**8,168**	**-**	7,764	-
Past due 0-30 days	**3,719**	**-**	3,259	-
Past due 31-120 days	**911**	**34**	896	20
Past due 121 days to one year	**114**	**38**	40	25
	12,912	**72**	11,959	45

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

	2013 $'000	2012 $'000
Opening balance at 1 July	**45**	42
Impairment loss recognised	**23**	14
Receivables written off during the year as uncollectible	**-**	(13)
Foreign exchange movement	**4**	2
Closing balance at 30 June	**72**	45

20. Financial risk management and instruments (continued)

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

- $3.5 million cash advance facility;
- $1.0 million hire purchase and lease facility;
- $1.43 million bank guarantee facility; and
- $3.3 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:

2013

Non-derivative financial liabilities	**Carrying Amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**
Trade and other payables	8,175	8,175	8,175

2012

Non-derivative financial liabilities	**Carrying Amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**
Trade and other payables	7,903	7,903	7,903

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 2013 or the year ended 30 June 2012 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

20. Financial risk management and instruments (continued)

Currency risk

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

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily AUD. The Group held no borrowings as at 30 June 2013 and 30 June 2012.

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 2013**				30 June 2012	
	GBP	**NZD**	**SGD**	**MYR**	GBP	NZD	SGD	MYR
Trade receivables	**1,949**	**221**	**162**	**48**	2,146	221	68	42
Trade payables	**(1,140)**	**(34)**	**(8)**	**(4)**	(767)	(85)	-	(6)
Gross exposure	**809**	**187**	**154**	**44**	1,379	136	68	36

The following significant exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
$1 AUD : 1	**2013**	2012	**2013**	2012
GBP	**0.6546**	0.6513	**0.6002**	0.6505
NZD	**1.2492**	1.2826	**1.1803**	1.2756
SGD	**1.2719**	1.2994	**1.1570**	1.2917
MYR	**3.1514**	3.1760	**2.8826**	3.2431

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

	Equity $'000	**Profit or loss $'000**
30 June 2013		
GBP	74	-
NZD	17	16
SGD	14	-
MYR	4	-
30 June 2012		
GBP	125	-
NZD	12	6
SGD	6	-
MYR	3	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2013 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.

20. Financial risk management and instruments (continued)

Fair values

Fair values versus carrying amounts

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

21. Commitments for expenditure

a) Plant and equipment

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

b) Lease commitments

Group as lessee

i) Non-cancellable operating leases

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

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

	2013 $'000	2012 $'000
Within one year	**2,183**	2,194
Later than one year but not later than five years	**5,190**	6,097
Later than five years	**-**	671
	7,373	8,962

notes to the consolidated financial statements

22. 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 2013 two reportable segments existed, namely the provision of pre-media services in Australasia and the provision of pre-media services in the United Kingdom.

The following tables present revenue, profit, total asset and total liability information for the years ended 30 June 2013 and 30 June 2012.

b) Segment information provided to the Board of Directors

2013	Pre-Media Australasia $'000	Pre-Media UK $'000	Elimination $'000	Total continuing operations $'000
Revenue from external customers	69,339	9,123	-	78,462
Inter-segment revenue	2,494	-	(2,494)	-
Total segment revenue	**71,833**	**9,123**	**(2,494)**	**78,462**
Segment result	**10,582**	**1,318**	**-**	**11,900**
Interest revenue	603	1	-	604
Interest expense	(90)	(22)	-	(112)
Depreciation and amortisation	(1,347)	(237)	-	(1,584)
Income tax expense	(2,721)	(270)	-	(2,991)
Total segment assets	**69,291**	**5,376**	**(4,399)**	**70,268**
Total segment liabilities	**12,887**	**2,313**	**(1,597)**	**13,603**

22. Segment information (continued)

2012

	Pre Media Australasia $'000	Pre Media UK $'000	Elimination $'000	Total continuing operations $'000
Revenue from external customers	78,560	10,078	-	88,638
Inter-segment revenue	2,520	-	(2,520)	-
Total segment revenue	**81,080**	**10,078**	**(2,520)**	**88,638**
Segment result	**12,870**	**1,825**	**-**	**14,695**
Interest revenue	791	-	-	791
Interest expense	(113)	(23)	-	(136)
Depreciation and amortisation	(1,725)	(257)	-	(1,982)
Income tax expense	(3,864)	(381)	-	(4,245)
Total segment assets	**67,832**	**5,185**	**(5,178)**	**67,839**
Total segment liabilities	**11,366**	**3,172**	**(2,092)**	**12,446**

c) Other segment information

(i) Accounting policies

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

(ii) Segment revenue

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

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

	2013 $'000	2012 $'000
Segment result	**11,900**	14,695
Interest revenue	**604**	791
Interest expense	**(112)**	(136)
Corporate charges	**(1,550)**	(1,519)
Income tax expense	**(2,991)**	(4,245)
Profit after tax from continuing operations	**7,851**	9,586

notes to the consolidated financial statements

23. Key management personnel disclosures

(a) Directors

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

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

(b) Other key management personnel

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

- Stephen Rees (Chief Executive Officer of Australia & New Zealand)
- Julian Graham (Company Secretary, Chief Financial Officer) *(resigned from the position of Company Secretary, Chief Financial Officer on 25 January 2013, but remained with the Group)*
- Andrew Lumsden (Company Secretary, Chief Financial Officer) *(appointed 25 January 2013)*
- Craig Bevan (Chief Operating Officer)
- Michael Bettridge (Managing Director - Asia)
- Chris Grawe (Managing Director - UK)

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:

	2013 **$**	2012 $
Short-term employee benefits	**1,973,896**	1,733,387
Post-employment benefits	**134,421**	127,608
Long-term benefits	**(3,252)**	100,911
	2,105,065	1,961,906

23. Key management personnel disclosures (continued)

d) Key management personnel equity holdings

Fully paid ordinary shares held in Wellcom Group Limited

Year ended 30 June 2013	Opening balance 1 July 2012	Granted as remuneration	Other changes	Closing balance 30 June 2013	Balance held nominally
Directors					
W.W. Sidwell *	25,433,211	-	(1,550,000)	23,883,211	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
	25,473,211	**-**	**(1,550,000)**	**23,923,211**	**-**
Other key management personnel					
S. Rees	16,000	-	-	16,000	-
L.J. Graham **	47,310	-	(47,310)	-	-
A. Lumsden ***	-	-	40,000	40,000	-
C. Bevan	-	-	-	-	-
M. Bettridge	120,000	-	-	120,000	-
C. Grawe	-	-	-	-	-
	183,310	**-**	**(7,310)**	**176,000**	**-**
	25,656,521	**-**	**(1,557,310)**	**24,099,211**	**-**

Year ended 30 June 2012	Opening balance 1 July 2011	Granted as remuneration	Other changes	Closing balance 30 June 2012	Balance held nominally
Directors					
W.W. Sidwell	25,433,211	-	-	25,433,211	-
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. Grawe	-	-	-	-	-
	183,310	**-**	**-**	**183,310**	**-**
	25,656,521	**-**	**-**	**25,656,521**	**-**

* Represents disposals and acquisitions during the year.

** No longer classified as a key management person on resignation as Company Secretary and Chief Financial Officer.

*** Became a key management person on appointment as Company Secretary and Chief Financial Officer.

notes to the consolidated financial statements

23. Key management personnel disclosures (continued)

e) Other transactions with directors

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

	2013 $	2012 $
Revenue		
Kinkaid Pty Ltd (a)	**779,086**	1,194,124
Total recognised as revenue	**779,086**	1,194,124
Expenses		
Raw materials and consumables (Kinkaid Pty Ltd) (a)	**2,916,163**	1,150,302
Legal fees (b)	**38,588**	61,270
Rent (c)	**845,187**	624,899
Total recognised as expenses	**3,799,938**	1,836,471

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

Current assets	**194,807**	344,771
Current liabilities	**322,817**	719,720

(a) Mr Sidwell is a director and shareholder of Kinkaid Pty Ltd. The revenue and expenses arising during the year ended 30 June 2013 disclosed above were based on normal commercial terms and conditions. Revenues charged to Kinkaid Pty Ltd relate to computer to plate (CTP) production services provided by the Group. The raw materials and consumables purchased from Kinkaid Pty Ltd relate to printing services that are subsequently charged to the Group's customer base.

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

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

24. Related party disclosures

a) Equity interest in related parties

Equity interests in subsidiaries:

Interests in subsidiaries are set out in note 25.

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 23.

c) Transactions with other related parties

The following transactions occurred with other related parties other than those disclosed in note 23:

	2013 **$**	2012 $
Third party superannuation contributions		
Contributions to superannuation funds on behalf of employees	**2,111,922**	1,889,027

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

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

e) Terms and conditions

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

25. Subsidiaries

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

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding***	
			2013	2012
Wellcom Moving Images Pty Ltd	Australia	Ordinary	**100%**	100%
Wellcom London Ltd	United Kingdom	Ordinary	**100%**	100%
Wellcom Group Pte Ltd	Singapore	Ordinary	**100%**	100%
Wellmalaysia Sdn Bhd	Malaysia	Ordinary	**100%**	100%
iPrint Corporate Pty Ltd	Australia	Ordinary	**100%**	100%
Dreamwalk Pty Ltd	Australia	Ordinary	**100%**	-

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

notes to the consolidated financial statements

26. Business Combination

Year ended 30 June 2013 – Acquisition of Dreamwalk Pty Ltd

(a) Summary of acquisition

On 2 July 2012 the Group acquired the share capital of Dreamwalk Pty Ltd, located in Melbourne, Victoria. The acquisition involved an initial consideration of $340,000 that was funded by cash reserves. In the event that certain hurdles are achieved by the subsidiary for the 3 years ending 30 June 2015, estimated additional consideration of $1,540,000 may be payable in cash. The fair value of the contingent consideration of $1,540,000 was estimated using the discounted cash-flow method, using a discount rate of 13%, the Group's weighted average cost of capital.

The fair value of the assets and liabilities acquired as of 2 July 2012 are detailed below:

	Fair value $'000
Assets:	
Cash and cash equivalents	11
Property, plant and equipment	18
Liabilities:	
Trade and other payables	(11)
Net identifiable assets acquired	**18**
Purchase consideration	1,880
Net identifiable assets acquired	(18)
Goodwill arising on acquisition	**1,862**

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

(b) Purchase consideration – cash flow

	$'000
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	11
Cash consideration	(340)
Net cash outflow – investing activities	**(329)**

26. Business Combination (continued)

Year ended 30 June 2012 - Acquisition of Mission Possible (Create) Ltd

(a) Summary of acquisition

On 1 July 2011 the Group acquired the business assets of Mission Possible (Create) Ltd, a pre-media business located in London (United Kingdom), for a cash consideration of $1,138,340. The acquisition has been accounted for using the acquisition method. The accounts for the year ended 30 June 2012 include the results of Mission Possible (Create) Ltd for the whole of the financial year.

The fair value of the assets and liabilities acquired as of 1 July 2011 are detailed below:

	Fair value $'000
Current Assets:	
Work in progress	20
Other current assets	19
Non-current assets:	
Property, plant and equipment	225
Current liabilities:	
Provisions	(23)
Net identifiable assets acquired	**241**
Purchase consideration	1,138
Net identifiable assets acquired	(241)
Goodwill arising on acquisition	**897**

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

(b) Purchase consideration – cash flow

The net cash outflow on acquisition is equal to the purchase consideration of $1,138,340.

notes to the consolidated financial statements

27. Parent entity financial information

a) Summary financial information

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

	2013 $'000	2012 $'000
Statement of Financial Position		
Current Assets	**27,405**	26,615
Total Assets	**68,254**	67,281
Current Liabilities	**9,374**	9,456
Total Liabilities	**11,247**	10,081
Shareholders Equity		
Issued Capital	**38,355**	38,355
Retained Earnings	**18,652**	18,845
	57,007	57,200
Profit for the year	**6,839**	8,433
Total comprehensive income	**6,839**	8,433

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

As at 30 June 2013, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

c) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

d) Guarantees entered into by the parent entity

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

28. Subsequent events

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

Dividends

On 21 August 2013, the Company declared a final dividend of 10 cents per ordinary share, payable from profits for the year ended 30 June 2013. The total final dividend proposed is $3,919,000 and will be franked to 100%. The record date for determining entitlements to the dividend is 2 September 2013 and the payment date is the 13 September 2013.

29. Additional company information

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

Registered office
870 Lorimer Street
Port Melbourne Victoria 3207

Principal place of business
870 Lorimer Street
Port Melbourne Victoria 3207

Share registry
Link Market Services
Level 1
333 Collins Street
Melbourne Victoria 3000

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

Solicitors
Anzarut & 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 Securities 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 29 August 2013.

a) Distribution of equity securities

39,190,001 fully paid ordinary shares are held by 934 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	**223**
1,001 – 5,000	**352**
5,001 – 10,000	**171**
10,001 – 100,000	**174**
100,001 and over	**14**
Total shareholders	**934**

There were twenty-three (23) holders of less than a marketable parcel of ordinary shares.

b) Substantial shareholders

	Fully paid ordinary shares	
	Number	**Percentage (%)**
Well.com Pty Ltd	23,620,911	60.27%
	23,620,911	**60.27%**

c) Twenty largest holders of quoted securities

	Fully paid ordinary shares	
	Number	**Percentage (%)**
Well.Com Pty Ltd	23,620,911	60.27%
HSBC Custody Nominees (Australia) Limited	3,521,764	8.99%
Mirrabooka Investments Limited	1,462,705	3.73%
National Nominees Limited	998,290	2.55%
Moggs Creek Pty Ltd	370,000	0.95%
Mr Wayne William Sidwell	362,300	0.93%
Aust Executor Trustees SA Ltd	330,210	0.84%
Growth Equities Imputation Limited	295,017	0.75%
Almargem Pty Ltd	263,000	0.67%
Mrs Melinda Karen Tickel	200,000	0.51%
JP Morgan Nominees Australia Limited	167,432	0.43%
Mr Erik Adriaanse	150,000	0.38%
Mr Michael Bettridge	120,000	0.31%
Mr Ian Harold Holland	115,200	0.29%
Mrs Fiona Leanne Power	100,000	0.26%
Mr Barry Maurice Holland	88,000	0.22%
Innsley Enterprises Pty Ltd	85,000	0.22%
Mr Stephen Alexander Lilley & Mrs Margaret Ormond Lilley	82,000	0.21%
Mr Andrew Sidwell	80,000	0.20%
Universal Action Pty Ltd	75,000	0.19%
	32,486,829	**82.90%**

notes

notes

credits

design and artwork	Wellcom Group Limited
pre-media	Wellcom Group Limited
retouching	Wellcom Group Limited
print management	Wellcom Print & Digital Management
digital photography	Wellcom Group Limited
printing	Digital House
cover	Monza 350gsm FSC* & Recycled
front section	Monza 130gsm FSC* & Recycled
financial section	Tudor RP 115gsm 100% Recycled

* FSC Sustainably Certified Paper Stock

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CONTENT
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DOING
DELIVERING

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TECHNOLOGY
CONTENT

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