

# **Wellcom Group Limited**

A.C.N. 114 312 542

**Financial report for the year ended 30 June 2014**

# Annual financial report for the financial year ended 30 June 2014

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# 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 July 2014, 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's website at [www.wellcom.com.au](http://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; and
- 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; and
- 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's 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:

<b>Name:</b>	<b>Position:</b>
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 are 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:

<b>Name:</b>	<b>Term in office:</b>
W.W. Sidwell	9 years
C.A. Anzarut	9 years
K.B. Smith	8 years

### ***Executive Chairman***

The Executive 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 Executive 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	169	40	156	37
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 2013-14 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 was also formerly 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, with an extension to this term up to a maximum of 2 years with approval from the Audit Committee.

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; and
- 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 Executive Chairman or a person authorised by the Executive 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 has been one (1) Remuneration Committee meeting held during the year. Details of directors' attendance at the committee meeting 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 Executive 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 2014.

## 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 University 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 was also formerly a director of SMS Management & Technology Limited and a member of its Audit Committee.

## COMPANY SECRETARY

### **A.S. Lumsden** (Company Secretary)

Andrew Stuart Lumsden was appointed as Company Secretary and Chief Financial Officer of the Group on 25 January 2013, having previously held the position of Group Financial Controller. Prior to joining Wellcom, Andrew was a Senior Manager within the Audit and Assurance practice of PricewaterhouseCoopers. He holds a Masters in Accountancy and Finance (First Class Honours), is a Chartered Accountant and Associate of the Governance Institute of Australia.

## Interests in the shares of the company

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

	<b>Number of Shares</b>
W.W. Sidwell	18,983,211*
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:

	2014 \$'000	2013 \$'000
Final dividend for the year ended 30 June 2013 of 10 cents per fully paid ordinary share paid on 13 September 2013 (2012: 10 cents)	3,919	3,919
Interim dividend for the half year ended 31 December 2013 of 8 cents per fully paid ordinary share paid on 27 March 2014 (2013: 8 cents)	3,135	3,135
	7,054	7,054

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 2014 of 11 cents per fully paid ordinary share. The dividend was declared on 20 August 2014, with a record date of 5 September 2014, to be paid on 19 September 2014 out of retained profits at 30 June 2014. The dividend will be fully franked.

## PRINCIPAL ACTIVITIES

During the year the principal activities of the Group were:

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

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

## OPERATING AND FINANCIAL REVIEW

### Operating results for the year

Group revenue of \$90.09m (2013: \$78.46m) represented an increase of 15% over the previous financial year, with revenue (excluding print management pass through costs) of \$62.74m (2013: \$53.61m) representing an increase of 17% over the same period. The increase in net revenue was driven by the contribution from theLab, following its acquisition in March 2014, together with organic growth from existing clients and new business wins engaged either in the current year or part way through the prior year.

Operating margins within the Group, excluding the impact of theLab acquisition, were maintained at 23% on a net revenue basis.

EBITDA from continuing operations increased by 9% to \$12.99m (2013: \$11.94m), with EBIT from continuing operations increasing by 10% to \$11.40m (2013: \$10.35m). NPAT from continuing operations attributable to the owners of the Group increased 10% to \$8.60m (2013: \$7.85m), with the associated earnings per share from continuing operations increasing 10% to 21.93 cents (2013: 20.03 cents).

The effective tax rate for the Group was 26% (2013: 28%) with the lower than average tax rate in the current year driven by tax credits relating to increased investment in software research and development.

The Group's future growth is expected to be underpinned by ongoing organic growth from existing customers, together with full year contributions from recent contractual wins and the acquisition of theLab.

### Shareholders' returns

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

	<u>2014</u>	<u>2013</u>
Basic earnings per share (cents)	<b>21.93</b>	20.03
Return on net assets (%)	<b>14.72</b>	13.86
Dividend payout ratio (%)	<b>86.63</b>	89.87

#### **Liquidity and financial condition**

The Group generated \$6.86m in cash from operating activities for the year ended 30 June 2014 (2013: \$7.60m). Net assets increased \$1.71m to \$58.38m (2013: \$56.67m). As at 30 June 2014 the Group has no net debt with cash and cash equivalents in excess of interest bearing liabilities by \$6.14m (2013: \$15.45m). The Group also has \$8.04m of unused bank facilities as at 30 June 2014 (2013: \$8.07m), and overall facilities of \$9.29m (2013: \$9.23m).

#### **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 2014 financial year on 20 August 2014. The total amount of the dividend is \$4.31m which represents a fully franked dividend of 11 cents per share. The dividend has not been provided for in the 30 June 2014 financial statements.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

#### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

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

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

#### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

## PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

## SHARE OPTIONS

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

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Wellcom Group Limited paid a premium of \$27,000 (2013: \$30,000) to insure the directors, officers and senior management of the Company and its controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a 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 2014, together with the number of meetings attended by each director during that period were as follows:

	Directors Meetings		Committee Meetings			
			Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
W.W. Sidwell	10	10	2	2	1	1
C.A. Anzarut	10	10	2	2	1	1
K.B. Smith	10	10	2	2	1	1

## 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; and
- transparency and shareholders' approval of compensation arrangements.

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

### **Remuneration structure**

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

#### **Non-executive director remuneration**

##### ***Objective***

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

##### ***Structure***

The ASX Listing Rules require the aggregate remuneration of non-executive directors be determined from time to time by a general meeting. During the financial year, each non-executive director received a set fee for being a director of the Company. The non-executive directors do not receive retirement benefits other than superannuation, nor do they participate in any incentive programs. Details of the remuneration of non-executive directors for the year ended 30 June 2014 and 30 June 2013 are set out in Table 1 and 2 respectively.

#### **Executive director and key executive remuneration**

##### ***Objective***

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

##### ***Structure***

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

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

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

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

**S. Rees**, Chief Executive Officer of Australia and New Zealand  
**A. Lumsden**, Company Secretary and Chief Financial Officer  
**C. Bevan**, Chief Operating Officer  
**M. Bettridge**, Managing Director, Asia  
**C. Grawe**, Managing Director, UK  
**D. Bridges**, Managing Director, US

Details of the remuneration of key management personnel of the Group for the year ended 30 June 2014 are set out in the table below (Table 1).

**Table 1**

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Total	At risk %
	Cash salary	Bonus	Non-cash benefits	Super-annuation	Long service leave		
	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>							
C.A. Anzarut	62,035	-	-	12,965	-	75,000	-
K.B. Smith	39,037	-	-	30,963	-	70,000	-
<b>Sub-total non-executive directors</b>	<b>101,072</b>	<b>-</b>	<b>-</b>	<b>43,928</b>	<b>-</b>	<b>145,000</b>	<b>-</b>
<i>Executive chairman</i>							
W.W. Sidwell	213,695	-	-	26,305	3,546	243,546	-
<i>Other key management personnel</i>							
S. Rees	322,225	-	-	17,775	7,143	347,143	-
A. Lumsden	189,730	40,000	-	17,775	7,134	254,639	15.7
C. Bevan	225,770	-	6,455	17,775	(19,753)	230,247	-
M. Bettridge	299,883	30,000	22,342	17,775	5,737	375,737	8.0
C. Grawe*	211,542	-	1,632	10,533	-	223,707	-
D. Bridges**	95,669	-	35,132	263	-	131,064	-
<b>Total key management personnel compensation</b>	<b>1,659,586</b>	<b>70,000</b>	<b>65,561</b>	<b>152,129</b>	<b>3,807</b>	<b>1,951,083</b>	<b>3.6</b>

\* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2014.

\*\* Mr Bridges was appointed Managing Director of the US operations on 1 March 2014. Amounts shown above include all of Mr Bridge's remuneration during the reporting period. Remuneration was paid in US dollars and translated at the average exchange rate since incorporation of Wellcom Group Inc. to 30 June 2014.

Details of the remuneration of key management personnel for the Group for the year ended 30 June 2013 are set out in the table below (Table 2).

Name	Short-term employee benefits			Post-employment benefits	Long-term benefits	Total	At risk %
	Cash salary	Bonus	Non-cash benefits	Super-annuation	Long service leave		
	\$	\$	\$	\$	\$	\$	%
<i>Non-executive directors</i>							
C.A. Anzarut	62,133	-	-	12,867		75,000	-
K.B. Smith	64,220	-	-	5,780		70,000	-
<b>Sub-total non-executive directors</b>	<b>126,353</b>	<b>-</b>	<b>-</b>	<b>18,647</b>		<b>145,000</b>	<b>-</b>
<i>Executive chairman</i>							
W.W. Sidwell	295,004	-	-	25,000	(55,929)	264,075	-
<i>Other key management personnel</i>							
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
<b>Total key management personnel compensation</b>	<b>1,876,660</b>	<b>38,191</b>	<b>59,045</b>	<b>134,421</b>	<b>(3,252)</b>	<b>2,105,065</b>	<b>1.8</b>

\* 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.

## 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 2014 and 30 June 2013 are included below. The management incentive scheme represents the only portion of KMP remuneration that relates to performance.

#### Year ended 30 June 2014

##### 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 2014:

	Remuneration package 1 July 2014 \$	Performance criteria 1 \$	Performance criteria 2 \$	Performance criteria 3 \$	Total incentive paid/ payable \$
<b>Key management personnel</b>					
S. Rees	340,000	-	-	-	-
A. Lumsden	210,000	-	-	40,000	40,000
C. Bevan	250,000	-	-	-	-
M. Bettridge	340,000	-	-	30,000	30,000
C. Grawe *	211,542	-	-	-	-
	<b>1,351,542</b>	-	-	<b>70,000</b>	<b>70,000</b>

\* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2014.

#### Year ended 30 June 2013

##### 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 2013:

Year ended 30 June 2013	Remuneration				Total incentive paid/ payable \$
	package 1 July 2013 \$	Performance criteria 1 \$	Performance criteria 2 \$	Performance criteria 3 \$	
<b>Key management personnel</b>					
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
	<b>1,639,144</b>	<b>-</b>	<b>20,000</b>	<b>18,191</b>	<b>38,191</b>

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

#### 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.

	2010	2011	2012	2013	2014
Management incentive as a % of target (%)	49.5	55.1	40.9	4.7	10.4
EBIT (\$'000)	10,983	11,847	13,175	10,350	11,396
Dividends paid/payable (cents per share)	14.0	16.5	18.0	18.0	19.0
Change in share price between the start and the end of the year (%)	5.9	17.2	7.1	8.0	18.4

#### Key management personnel equity holdings

##### Fully paid ordinary shares held in Wellcom Group Limited

##### Year ended 30 June 2014

	Opening balance 1 July 2013	Granted as remuneration	Other changes	Closing balance 30 June 2014	Balance held nominally
<b>Directors</b>					
W.W. Sidwell	23,883,211	-	(4,900,000)	18,983,211	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
	<b>23,923,211</b>	<b>-</b>	<b>(4,900,000)</b>	<b>19,023,211</b>	<b>-</b>

##### Other key management personnel

S. Rees	16,000	-	-	16,000	-
A. Lumsden	40,000	-	-	40,000	-
C. Bevan	-	-	-	-	-
M. Bettridge	120,000	-	-	120,000	-
C. Grawe	-	-	-	-	-
D. Bridges *	-	-	-	-	-
	<b>176,000</b>	<b>-</b>	<b>-</b>	<b>176,000</b>	<b>-</b>
	<b>24,099,211</b>	<b>-</b>	<b>(4,900,000)</b>	<b>19,199,211</b>	<b>-</b>

Year ended 30 June 2013

	Opening balance 1 July 2012	Granted as remuneration	Other changes	Closing balance 30 June 2013	Balance held nominally
<b>Directors</b>					
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	-
	<u>25,473,211</u>	<u>-</u>	<u>(1,550,000)</u>	<u>23,923,211</u>	<u>-</u>

**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	-	-	-	-	-
	<u>183,310</u>	<u>-</u>	<u>(7,310)</u>	<u>176,000</u>	<u>-</u>
	<u>25,656,521</u>	<u>-</u>	<u>(1,557,310)</u>	<u>24,099,211</u>	<u>-</u>

\* Became a key management person on the 1 March 2014.

\*\* 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.

**Other transactions with directors**

	2014 \$'000	2013 \$'000
--	----------------	----------------

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.

**Revenue**

Kinkaid Pty Ltd (a)	<u>838,093</u>	779,086
<b>Total recognised as revenue</b>	<u>838,093</u>	<u>779,086</u>

**Expenses**

Raw materials and consumables (Kinkaid Pty Ltd) (a)	<u>3,533,184</u>	2,916,163
Legal fees (b)	<u>93,987</u>	38,588
Rent (c)	<u>1,136,406</u>	845,187
<b>Total recognised as expenses</b>	<u>4,763,577</u>	<u>3,799,938</u>

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	<u>240,094</u>	194,807
Current liabilities	<u>746,243</u>	322,817

(a) Mr Sidwell is a director and shareholder of Kinkaid Pty Ltd. The revenue and expenses arising during the year ended 30 June 2014 and 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 & Partners. Anzarut & Partners have provided legal services to Wellcom Group Limited for several years on normal and commercial terms and conditions.

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

END OF THE AUDITED REMUNERATION REPORT

#### **AUDITOR INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is included on page 23 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 2014.

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

**ROUNDING OF AMOUNTS**

The Company is of a kind referred to in 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

A handwritten signature in black ink, appearing to read 'W.W. Sidwell', with a stylized flourish at the end.

W.W Sidwell  
Director  
Melbourne, 20 August 2014



**Auditor's Independence Declaration**

As lead auditor for the audit of the financial report of Wellcom Group Limited for the year ended 30 June 2014, 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**  
Chartered Accountants

**Melbourne**  
20 August 2014

**Jude Lau**  
Partner

**HLB Mann Judd (VIC Partnership)**

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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"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the Group. The Group comprises the Company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the 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.

### **Independence**

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

### **HLB Mann Judd (VIC Partnership)**

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Accountants | Business and Financial Advisers

### 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 2014 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 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in blue ink that reads 'HLB Mann Judd'.

**HLB Mann Judd**  
**Chartered Accountants**

Melbourne  
20 August 2014

A handwritten signature in blue ink that reads 'Jude Lau'.

**Jude Lau**  
**Partner**

## Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 27 to 77 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 2014 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, 20 August 2014

## Consolidated Statement of Profit or Loss for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Continuing operations</b>			
Revenue	3(a)	90,088	78,462
Other income	3(b)	1,783	858
Raw materials and consumables		(37,038)	(30,677)
Marketing expenses		(392)	(444)
Occupancy expenses		(4,488)	(3,511)
Employee benefits expense	3(c)	(33,036)	(29,715)
Depreciation, amortisation and impairment	3(d)	(1,912)	(1,584)
Finance costs	3(e)	(124)	(112)
Consulting expenses		(168)	(135)
Other expenses		(3,108)	(2,300)
<b>Profit before income tax expense</b>		<b>11,605</b>	<b>10,842</b>
Income tax expense	4(a)	(3,010)	(2,991)
<b>Net profit for the year</b>		<b>8,595</b>	<b>7,851</b>
Profit for the year is attributable to:			
Owners of Wellcom Group Limited		<b>8,595</b>	<b>7,851</b>
<b>Earnings per share:</b>			
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of parent:</b>			
Basic (cents per share)	21	21.93	20.03
Diluted (cents per share)	21	21.93	20.03
<b>Earnings per share from profit attributable to the ordinary equity holders of the parent:</b>			
Basic (cents per share)	21	21.93	20.03
Diluted (cents per share)	21	21.93	20.03

Notes to the consolidated financial statements are included on pages 32 to 77.

## Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Profit for the year</b>		<b>8,595</b>	7,851
<b>Other comprehensive income</b>			
Foreign currency translation, net of tax	20	170	475
<b>Other comprehensive income for the year, net of tax</b>		<b>170</b>	475
<b>Total comprehensive income for the year</b>		<b>8,765</b>	8,326
Total comprehensive income for the year is attributable to:			
Owners of Wellcom Group Limited		<b>8,765</b>	8,326

Notes to the consolidated financial statements are included on pages 32 to 77.

## Consolidated Statement of Financial Position as at 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5(a)	6,135	15,450
Trade and other receivables	7	15,928	13,120
Inventories and work in progress	8	1,665	945
Other current assets	9	1,020	1,032
<b>Total current assets</b>		<b>24,748</b>	<b>30,547</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	4,620	3,471
Deferred tax assets	4(c)	1,169	1,136
Intangible assets	11	42,197	35,110
Other non-current assets	12	289	4
<b>Total non-current assets</b>		<b>48,275</b>	<b>39,721</b>
<b>Total assets</b>		<b>73,023</b>	<b>70,268</b>
<b>Current liabilities</b>			
Trade and other payables	13	10,009	8,175
Short term borrowings	14	118	-
Current tax payables	4(b)	557	142
Provisions	15	3,201	3,402
<b>Total current liabilities</b>		<b>13,885</b>	<b>11,719</b>
<b>Non-current liabilities</b>			
Long term borrowings	17	165	-
Deferred tax liabilities	4(c)	257	73
Provisions	16	226	1,811
Other non-current liabilities	18	114	-
<b>Total non-current liabilities</b>		<b>762</b>	<b>1,884</b>
<b>Total liabilities</b>		<b>14,647</b>	<b>13,603</b>
<b>Net assets</b>		<b>58,376</b>	<b>56,665</b>
<b>Equity</b>			
Contributed equity	19	38,355	38,355
Retained earnings and reserves	20	20,021	18,310
<b>Total equity attributable to owners of Wellcom Group Limited</b>		<b>58,376</b>	<b>56,665</b>

Notes to the consolidated financial statements are included on pages 32 to 77.

## Consolidated Statement of Changes in Equity for the financial year ended 30 June 2014

Note	Contributed equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity attributable to owners of the parent \$'000
<b>At 1 July, 2013</b>	<b>38,355</b>	<b>(2,134)</b>	<b>20,444</b>	<b>56,665</b>
Profit for the year	-	-	8,595	8,595
Other comprehensive income for the year	-	170	-	170
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>170</b>	<b>8,595</b>	<b>8,765</b>
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(7,054)	(7,054)
<b>At 30 June, 2014</b>	<b>38,355</b>	<b>(1,964)</b>	<b>21,985</b>	<b>58,376</b>

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

Notes to the consolidated financial statements are included on pages 32 to 77.

## Consolidated Statement of Cash Flows for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		96,847	85,647
Payments to suppliers and employees		(87,423)	(74,381)
Income tax paid		(2,444)	(3,552)
Interest and other costs of finance paid		(124)	(112)
Net cash provided by operating activities	5(b)	6,856	7,602
<b>Cash flows used in investing activities</b>			
Interest received		528	604
Payments for business acquisitions, net of cash acquired	29	(7,077)	(329)
Proceeds from sale of property, plant and equipment		8	9
Payment of development costs	11	(824)	-
Payment for property, plant and equipment	10	(1,694)	(893)
Net cash used in investing activities		(9,059)	(609)
<b>Cash flows used in financing activities</b>			
Dividends paid	22	(7,054)	(7,054)
Repayments of borrowings		(58)	-
Net cash used in financing activities		(7,112)	(7,054)
<b>Net decrease in cash and cash equivalents</b>		<b>(9,315)</b>	<b>(61)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>15,450</b>	<b>15,511</b>
<b>Cash and cash equivalents at the end of the year</b>	5(a)	<b>6,135</b>	<b>15,450</b>

Notes to the consolidated financial statements are included on pages 32 to 77.

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## 1. Corporate information

The financial statements of Wellcom Group Limited (the Group or consolidated entity) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 20 August 2014.

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

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

## 2. Summary of significant accounting policies

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

### a) Basis of preparation

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

#### (i) Compliance with IFRS

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

#### (ii) New and amended standards adopted by the Group

The impact of adoption of new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 is disclosed in note 2(ac).

#### (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 2013.

#### (iv) Historical cost convention

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

### b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiaries at 30 June each year (the Group). Subsidiaries are all entities (including structured entities) over which the Group has control. The group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. During the year ended 30 June 2014 subsidiaries have comprised Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Moving Images Pty Ltd, iPrint Corporate Pty Ltd, Wellcom Group Inc and theLab LLC.

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

## 2. Summary of significant accounting policies (continued)

### b) Principles of consolidation (continued)

Wellcom Moving Images Pty Ltd and iPrint Corporate Pty Ltd are 100% owned and controlled by Wellcom Group Limited. Both subsidiaries were dormant for the whole of the financial year.

Wellcom Group Inc is 100% owned by Wellcom Group Ltd. The consolidated financial statements include the results of Wellcom Group Inc since the date of incorporation. The financial statements of the subsidiary have been prepared using consistent accounting policies adopted by the Group.

theLab LLC is 100% owned by Wellcom Group Inc. The consolidated financial statements include the results of theLab LLC since the date of acquisition. The financial statements of the subsidiary have been prepared using consistent accounting policies adopted by the Group.

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

### c) Significant accounting judgements, estimates and assumptions

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

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

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

#### *(i) Significant accounting judgements*

##### *Recovery of deferred tax assets*

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

##### *Impairment of non-financial assets other than goodwill*

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

#### *(ii) Significant accounting estimates and assumptions*

##### *Impairment of goodwill*

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

## 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.

### 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.

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

### f) Cash and cash equivalents

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

## 2. Summary of significant accounting policies (continued)

### g) Employee benefits

#### *i) Short-term obligations*

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

#### *ii) Other long-term employee benefit obligations*

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

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

### h) Investments and other financial assets

#### *Initial recognition and measurement*

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

#### *Classification and subsequent measurement*

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

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

#### *Financial assets at fair value through profit or loss*

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

#### *Held-to-maturity investments*

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

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

## 2. Summary of significant accounting policies (continued)

### h) Investments and other financial assets (continued)

#### *Available-for-sale financial assets*

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

#### *Loans and receivables*

##### *i) Trade receivables*

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

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.

#### *Impairment*

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

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

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

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

#### *Derecognition*

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

## 2. Summary of significant accounting policies (continued)

### i) Financial instruments issued by the company

#### *Transaction costs on the issue of equity instruments*

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

#### *Interest and dividends*

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

### j) Inventories

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

### k) Foreign currency translation

#### *(i) Functional and presentation currency*

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

#### *(ii) Translation and balances*

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

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

#### *(iii) Group companies*

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

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

## 2. Summary of significant accounting policies (continued)

### k) Foreign currency translation (continued)

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

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

### l) Goods and services tax

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

- (i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

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

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

### m) Intangible assets

#### *Intangible assets acquired in a business combination*

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

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

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

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

## **2. Summary of significant accounting policies (continued)**

### **n) Goodwill**

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

- i) the consideration transferred;
- ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- iii) the acquisition date fair value of any previously held equity interest; over the acquisition date fair value of net identifiable assets acquired.

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

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

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

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

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

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

### **o) Impairment of assets**

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

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

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

## 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.

### p) Income tax

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

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

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

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.

## 2. Summary of significant accounting policies (continued)

### q) Leases

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

#### *Group as lessee*

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

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

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

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

#### *Lease incentives*

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

### r) Trade and other payables

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

### s) Property, plant and equipment

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

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

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

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

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

## 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.

### t) Provisions

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

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

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

### u) Segment reporting

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

### v) Business combinations

The acquisition method of accounting is used to account for all business combinations, 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.

## 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 statement of profit or loss.

### w) Contributed equity

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

### 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 31 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 and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time in their annual reporting period commencing 1 July 2013:

(i) 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 has reviewed its investments in other entities to assess whether the conclusion to consolidate is different under AASB 10 than under AASB 127. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as a result of the adoption of AASB 10.

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. The group has reviewed its structure under AASB 11 and no impact on the financial statements has been identified.

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 has not affected 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 have not affected any of the amounts recognised in the financial statements.

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

AASB 13 *Fair Value Measurement* aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Implementation of the new fair value definition per AASB 13 has not required Wellcom to adjust its current valuation techniques and as a result has had no impact on financial statements.

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.

## 2. Summary of significant accounting policies (continued)

### ac) New and amended standards adopted by the Group (continued)

#### (iii) AASB 119 Employee Benefits

The revised standard has changed the accounting for the group's annual leave obligations. As the Group does not expect all annual leave to be taken within 12 months of the respective service being provided, annual leave obligations are now classified as long-term employee benefits in their entirety. This did change the measurement of these obligations, as the entire obligation is now measured on a discounted basis and no longer split into a short-term and a long-term portion. However, the impact of this change was immaterial since the majority of the leave is still expected to be taken within a short period after the end of the reporting period.

#### ad) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

### ae) New Accounting Standards for Application in Future Periods

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

*AASB 9: Financial Instruments and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).*

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

The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility

## 2. Summary of significant accounting policies (continued)

### ae) New Accounting Standards for Application in Future Periods (continued)

in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.

*AASB 2012-3: Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).*

This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group's financial statements.

*Interpretation 21: Levies (applicable for annual reporting periods commencing on or after 1 January 2014).*

Interpretation 21 clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised, and whether that liability should be recognised in full at a specific date or progressively over a period of time. This Interpretation is not expected to significantly impact the Group's financial statements.

*AASB 2013-3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets (applicable for annual reporting periods commencing on or after 1 January 2014).*

This Standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment and is not expected to significantly impact the Group's financial statements.

*AASB 2013-4: Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting (applicable for annual reporting periods commencing on or after 1 January 2014).*

AASB 2013-4 makes amendments to AASB 139: Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations. This Standard is not expected to significantly impact the Group's financial statements.

*AASB 2013-5: Amendments to Australian Accounting Standards – Investment Entities (applicable for annual reporting periods commencing on or after 1 January 2014).*

AASB 2013-5 amends AASB 10: Consolidated Financial Statements to define an "investment entity" and requires, with limited exceptions, that the subsidiaries of such entities be accounted for at fair value through profit or loss in accordance with AASB 9 and not be consolidated. Additional disclosures are also required. As neither the parent nor its subsidiaries meet the definition of an investment entity, this Standard is not expected to significantly impact the Group's financial statements.

### 3. Profit from operations

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>(a) Revenue</b>		
Revenue from continuing operations	<b>90,088</b>	78,462
<b>(b) Other income</b>		
Gain from derecognition of contingent consideration	<b>1,119</b>	-
Interest revenue (bank deposits)	<b>333</b>	604
Other	<b>331</b>	254
	<b>1,783</b>	858
<b>(c) Employee benefits expense</b>		
Salaries and wages	<b>(32,826)</b>	(29,537)
Fringe benefits tax	<b>(90)</b>	(76)
Staff amenities	<b>(120)</b>	(102)
	<b>(33,036)</b>	(29,715)
<b>(d) Depreciation, amortisation &amp; impairment</b>		
Depreciation of non-current assets	<b>(1,533)</b>	(1,584)
Amortisation of internally generated intangible assets	<b>(56)</b>	-
Impairment of goodwill	<b>(323)</b>	-
	<b>(1,912)</b>	(1,584)
<b>(e) Finance costs</b>		
Interest expense	<b>(124)</b>	(112)
<b>(f) Net loss on disposal of property, plant and equipment</b>	<b>(43)</b>	(23)
<b>(g) Rental expenses relating to operating leases</b>		
Minimum lease payments	<b>(3,259)</b>	(2,372)
<b>(h) Net foreign exchange (loss)/gain</b>	<b>(36)</b>	135
<b>(i) Bad and doubtful debts gain</b>	<b>2</b>	-

#### 4. Income tax expense

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Income tax recognised in profit or loss</b>		
Tax expense comprises:		
Current income tax expense	<b>3,028</b>	2,754
Deferred income tax income relating to the origination and reversal of temporary differences	<b>151</b>	193
Current income charge in respect of previous years	<b>(169)</b>	44
Total income tax expense	<b>3,010</b>	2,991
Attributable to:		
Continuing operations	<b>3,010</b>	2,991
Deferred income tax revenue included in income tax expense comprises:		
(Increase) / Decrease in deferred tax assets (note 4(c))	<b>(33)</b>	167
Increase in deferred liabilities (note 4(c))	<b>184</b>	26
	<b>151</b>	193
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from continuing operations before income tax expense	<b>11,605</b>	10,842
Income tax expense calculated at 30% (2013: 30%)	<b>3,482</b>	3,253
Non-deductible expenses	<b>135</b>	29
Research and development deduction	<b>(41)</b>	(197)
Differences in overseas tax rates	<b>(13)</b>	(96)
Previously unrecognised tax losses recouped to reduce current tax expense	-	(52)
(Over) / under provided in prior periods	<b>(169)</b>	44
Foreign exchange translation adjustments	<b>(138)</b>	-
Non-assessable income	<b>(336)</b>	-
Adjustments for deferred tax of prior periods	-	11
Deferred tax assets not recognised	<b>90</b>	-
Change in unrecognised temporary differences	-	(1)
	<b>3,010</b>	2,991

The tax rate used in the above reconciliation is the corporate tax rate of 30% (2013: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.

#### 4. Income tax expense (continued)

	2014 \$'000	2013 \$'000
<b>(b) Current tax assets and liabilities</b>		
Current tax assets	-	-
Current tax liabilities	557	142
<b>(c) Deferred tax balances</b>		
Deferred tax assets comprise:		
Temporary differences	1,169	1,136
Deferred tax liabilities comprise:		
Temporary differences	257	73

#### 2014

	Opening balance \$'000	Charged/ Credited to Income \$'000	Acquisitions/ Disposals \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>				
Doubtful debts	6	(6)	-	-
Provisions	1,077	(76)	-	1,001
Investments	-	138	-	138
Accruals	20	2	-	22
Property, plant and equipment	33	(25)	-	8
	1,136	33	-	1,169
<b>Gross deferred tax liabilities:</b>				
Interest receivable	73	(57)	-	16
Intangible assets	-	231	-	231
Deposits Paid	-	10	-	10
	73	184	-	257

2013

	Opening balance \$'000	Charged/ Credited to Income \$'000	Acquisitions/ Disposals \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>				
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)	-	-
	<u>1,303</u>	<u>(167)</u>	<u>-</u>	<u>1,136</u>
<b>Gross deferred tax liabilities:</b>				
Interest receivable	47	26	-	73
	<u>47</u>	<u>26</u>	<u>-</u>	<u>73</u>

	2014 \$'000	2013 \$'000
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<u>618</u>	352
Potential tax benefit	<u>152</u>	85

The above tax losses relate to overseas subsidiaries.

## 5. Cash and cash equivalents

	2014 \$'000	2013 \$'000
<b>(a) Cash and cash equivalents</b>		
Cash on hand	10	11
Cash at bank	4,625	2,439
Cash on deposit	1,500	13,000
<b>Total cash and cash equivalents</b>	<b>6,135</b>	<b>15,450</b>

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 2014 is 3.64% (2013: 4.38%). Cash is placed on deposit for terms between thirty (30) days to two hundred and ten (210) days depending upon bank interest rates and cash flow requirements of the Group.

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

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

Net profit after income tax	8,595	7,851
<b>Adjustments for non-cash income and expense items:</b>		
Amortisation of intangible assets	56	-
Depreciation of non-current assets	1,533	1,584
Loss on disposal of non-current assets	43	23
Interest income received and receivable	(528)	(604)
Gain on derecognition of contingent consideration	(1,119)	-
Impairment of goodwill	323	-
Net exchange difference	178	428
<b>Increase/decrease in assets/liabilities:</b>		
Trade and other receivables	(2,608)	(1,025)
Inventories	(720)	70
Other assets	(282)	(498)
Trade and other payables	1,486	261
Income tax payable	415	(754)
Deferred tax balances	151	193
Provisions	(667)	73
<b>Net cash from operating activities</b>	<b>6,856</b>	<b>7,602</b>

### (c) Financing activities

Secured bank finance facilities subject to annual review:

- amount used	1,253	1,157
- amount unused	8,039	8,074
	<b>9,292</b>	<b>9,231</b>

## 6. Remuneration of auditors

	2014	2013
	\$	\$
<b>(a) Auditor services</b>		
<i>HLB Mann Judd:</i>		
Audit and review of the financial reports	<b>83,000</b>	81,500
<i>HLB Mann Judd related practices:</i>		
Audit and review of the financial reports	<b>31,868</b>	7,706
<i>Other Auditors:</i>		
Audit and review of the financial reports	<b>24,712</b>	25,357
Total remuneration for audit services	<b>139,580</b>	114,563
<b>(b) Other services</b>		
<i>HLB Mann Judd related practices:</i>		
Taxation services	<b>22,584</b>	6,043
Other services	<b>6,557</b>	5,813
<i>Other Auditors:</i>		
Taxation services	<b>2,655</b>	2,345
Total remuneration for non-audit services	<b>31,796</b>	14,201

## 7. Trade and other receivables

	2014 \$'000	2013 \$'000
Trade receivables	15,541	12,912
Allowance for doubtful debts (note 23)	(59)	(72)
	15,482	12,840
Sundry debtors	434	74
Interest income receivable	12	206
	15,928	13,120

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

## 8. Inventories and work in progress

	2014 \$'000	2013 \$'000
Raw materials at cost	91	84
Work in progress	1,574	861
	1,665	945

## 9. Other current assets

	2014 \$'000	2013 \$'000
Prepayments	988	918
Accrued income	32	114
	1,020	1,032

## 10. Property, plant and equipment

	Plant and equipment \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Equipment under finance lease \$'000	Total \$'000
<b>At 1 July 2012</b>					
At cost	12,401	1,879	975	-	15,255
Accumulated depreciation	(9,020)	(1,395)	(711)	-	(11,126)
<b>Net book amount</b>	<b>3,381</b>	<b>484</b>	<b>264</b>	<b>-</b>	<b>4,129</b>
<b>Year ended 30 June 2013</b>					
Opening net book amount	3,381	484	264	-	4,129
Additions	630	157	106	-	893
Additions from business acquisition (note (a))	17	-	1	-	18
Disposals/transfers	(92)	-	60	-	(32)
Depreciation charge	(1,288)	(183)	(113)	-	(1,584)
Exchange differences	35	9	3	-	47
<b>Closing net book amount</b>	<b>2,683</b>	<b>467</b>	<b>321</b>	<b>-</b>	<b>3,471</b>
<b>At 30 June 2013</b>					
At cost	12,850	2,050	1,144	-	16,044
Accumulated depreciation	(10,167)	(1,583)	(823)	-	(12,573)
<b>Net book amount</b>	<b>2,683</b>	<b>467</b>	<b>321</b>	<b>-</b>	<b>3,471</b>
<b>Year ended 30 June 2014</b>					
Opening net book amount	2,683	467	321	-	3,471
Additions	1,121	397	176	-	1,694
Additions from business acquisition (note (b))	105	569	32	341	1,047
Disposals/transfers	(47)	(2)	(2)	-	(51)
Depreciation charge	(1,150)	(211)	(121)	(51)	(1,533)
Exchange differences	25	(27)	3	(9)	(8)
<b>Closing net book amount</b>	<b>2,737</b>	<b>1,193</b>	<b>409</b>	<b>281</b>	<b>4,620</b>
<b>At 30 June 2014</b>					
At cost	14,051	2,989	1,376	330	18,746
Accumulated depreciation	(11,314)	(1,796)	(967)	(49)	(14,126)
<b>Net book amount</b>	<b>2,737</b>	<b>1,193</b>	<b>409</b>	<b>281</b>	<b>4,620</b>

(a) These additions relate to the acquisition of Dreamwalk Pty Ltd on 2 July 2012 (refer to note 29).

(b) These additions relate to the acquisition of theLab business on 1 March 2014 (refer to note 29).

## 11. Intangible assets

	Goodwill \$'000	Software * \$'000	Total \$'000
<b>At 1 July 2012</b>			
Cost	33,023	-	33,023
Accumulated impairment losses	(137)	-	(137)
<b>Net book amount</b>	<b>32,886</b>	<b>-</b>	<b>32,886</b>
<b>Year ended 30 June 2013</b>			
Opening net book amount	32,886	-	32,886
Additions (note 29)	1,862	-	1,862
Exchange differences	362	-	362
<b>Closing net book amount</b>	<b>35,110</b>	<b>-</b>	<b>35,110</b>
<b>At 30 June 2013</b>			
Cost	35,247	-	35,247
Accumulated impairment losses	(137)	-	(137)
<b>Net book amount</b>	<b>35,110</b>	<b>-</b>	<b>35,110</b>
<b>Year ended 30 June 2014</b>			
Opening net book amount	35,110	-	35,110
Additions – internal development (c)	-	824	824
Additions – acquisition (note 29)	6,238	-	6,238
Impairment charge	(323)	-	(323)
Amortisation charge **	-	(56)	(56)
Exchange differences	404	-	404
<b>Closing net book amount</b>	<b>41,429</b>	<b>768</b>	<b>42,197</b>
<b>At 30 June 2014</b>			
Cost	41,889	824	42,713
Accumulated amortisation	-	(56)	(56)
Accumulated impairment losses	(460)	-	(460)
<b>Net book amount</b>	<b>41,429</b>	<b>768</b>	<b>42,197</b>

\* Software includes capitalised development costs being an internally generated intangible asset.

\*\* Amortisation of \$55,981 is included in depreciation and amortisation expense in the profit and loss.

### (a) Impairment testing of goodwill

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

	2014 \$'000	2013 \$'000
Australasia	30,112	30,434
United Kingdom	5,079	4,676
United States of America	6,238	-
<b>Total Goodwill</b>	<b>41,429</b>	<b>35,110</b>

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

## 11. Intangible assets (continued)

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

	Growth rate *		Discount rate **	
	2014	2013	2014	2013
	%	%	%	%
Australasia	3.0	3.0	12.5	12.7
United Kingdom	3.0	3.0	12.2	11.9
United States of America	3.0	-	11.1	-

\* 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) Impairment charge

The impairment charge of \$322,602 arose as a result of the decision to dispose of the Dreamwalk trading name and associated non-core operating activities of this business. The core operating activities being the development of mobile and web applications have remained with the business. The impaired charge represents goodwill attributable to the disposed operation. No class of asset other than goodwill was impaired. The goodwill formed part of the Australasian segment.

### (d) Impact of possible changes in key assumptions

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

## 12. Other non-current assets

	2014	2013
	\$'000	\$'000
Deposits paid	289	4

## 13. Trade and other payables

	2014	2013
	\$'000	\$'000
<b>Unsecured</b>		
Trade payables	7,091	5,740
Goods and services tax (GST) payable	716	669
Other	2,202	1,766
	10,009	8,175

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

#### 14. Short term borrowings

	2014 \$'000	2013 \$'000
Lease liability (Note 24)	118	-

#### 15. Current provisions

	2014 \$'000	2013 \$'000
Employee benefits (a)	3,201	3,248
Contingent purchase consideration (note 29)	-	154
	3,201	3,402

(a) The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$3,200,985 (2013: \$3,401,652) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2014 \$'000	2013 \$'000
Current leave obligations expected to be settled after 12 months	86	146

#### 16. Non-current provisions

	2014 \$'000	2013 \$'000
Employee benefits	211	410
Provision for makegood (a)	15	15
Contingent purchase consideration (note 29)	-	1,386
	226	1,811

##### (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.

## 16. Non-current provisions (continued)

### Movement in provisions: Makegood

	2014 \$'000	2013 \$'000
Carrying amount at the beginning of the year	15	50
Charged/(credited) to the consolidated income statement:		
- Unused amounts reversed	-	(35)
Carrying amount at year end	<u>15</u>	<u>15</u>

## 17. Long term borrowings

	2014 \$'000	2013 \$'000
Lease liability (Note 24)	<u>165</u>	-

## 18. Other non-current liabilities

	2014 \$'000	2013 \$'000
Deferred Rent	21	-
Deposits payable	93	-
	<u>114</u>	-

## 19. Contributed equity

	2014 \$'000	2013 \$'000
39,190,001 (2013: 39,190,001) fully paid ordinary shares*	<u>38,355</u>	<u>38,355</u>
	<u>38,355</u>	<u>38,355</u>

\* 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 2014 the return was 15 percent (2013: 14

## 19. Contributed equity (continued)

percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was nil (2013: 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.

## 20. Retained earnings and reserves

	2014 \$'000	2013 \$'000
<b>(a) Reserves</b>		
Foreign currency translation reserve	(1,964)	(2,134)
<b>Movements:</b>		
<i>Foreign currency translation reserve:</i>		
Balance at beginning of financial year	(2,134)	(2,609)
Currency translation differences during the year	170	475
Balance at end of financial year	(1,964)	(2,134)
<b>(b) Retained earnings</b>		
<i>Movements in retained profits were as follows:</i>		
Balance at beginning of financial year	20,444	19,647
Net profit attributable to members of the parent	8,595	7,851
Dividends paid or provided for (note 22)	(7,054)	(7,054)
Balance at end of financial year	21,985	20,444
<b>Total reserves and retained earnings</b>	<b>20,021</b>	<b>18,310</b>

### (c) Nature and purpose of reserves

#### (i) Foreign currency translation reserve

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

## 21. Earnings per share

	2014 Cents	2013 Cents
<b>(a) Basic earnings per share</b>		
- from continuing operations	21.93	20.03
Total basic earnings per share	21.93	20.03
<b>(b) Diluted earnings per share</b>		
- from continuing operations	21.93	20.03
Total diluted earnings per share	21.93	20.03
<b>(c) Reconciliations of earnings used in calculating earnings per share</b>		
	2014 \$'000	2013 \$'000
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	8,595	7,851
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	8,595	7,851
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	8,595	7,851
<b>Weighted number of shares used as the denominator</b>		
	2014 No. '000	2013 No. '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	39,190	39,190
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	39,190	39,190

## 22. Dividends

		<b>2014</b>		<b>2013</b>
	<b>Cents</b>	<b>\$'000</b>	Cents	\$'000
<b>(a) Fully paid ordinary shares</b>				
<i>Final dividend</i>				
Fully franked for the year ended 30 June 2013, Paid 13 September 2013 (2012: 19 September 2012)	<b>10.0</b>	<b>3,919</b>	10.0	3,919
<i>Interim dividend</i>				
Fully franked for the half year ended 31 December 2013, Paid 27 March 2014 (2013: 21 March 2013)	<b>8.0</b>	<b>3,135</b>	8.0	3,135
	<b>18.0</b>	<b>7,054</b>	18.0	7,054

### **(b) Dividends not recognised at year end**

#### *Final dividend*

Fully franked final dividend for the year ended  
30 June 2014, to be paid 19 September 2014  
(2013: 13 September 2013)

	<b>11.0</b>	<b>4,311</b>	10.0	3,919
	<b>10.0</b>	<b>4,311</b>	10.0	3,919

### **(c) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2014 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 2014.

	<b>2014</b>		<b>2013</b>
	<b>\$'000</b>		\$'000
Franking credits available for subsequent years based on a tax rate of 30% (2013: 30%)	<b>8,287</b>		9,168

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

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

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

The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability at year end will be a reduction in the franking account of \$1,847,529 (2013: \$1,679,571).

## 23. Financial risk management and instruments

### a) Significant accounting policies

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

### b) Financial risk management

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

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

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

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

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

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

#### **Credit risk**

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

#### *Trade and other receivables*

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

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

## 23. 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	2014 \$'000	2013 \$'000
Cash and cash equivalents	5	6,135	15,450
Trade receivables	7	15,482	12,840
Other receivables	7	446	280
		<b>22,063</b>	<b>28,570</b>

The Group's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was \$15,482k (2013: \$12,840k).

### *Impairment losses*

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

	Gross 2014 \$'000	Impairment 2014 \$'000	Gross 2013 \$'000	Impairment 2013 \$'000
Not past due	9,750	-	8,168	-
Past due 0-30 days	3,606	-	3,719	-
Past due 31-120 days	1,801	40	911	34
Past due 121 days to one year	384	19	114	38
	<b>15,541</b>	<b>59</b>	<b>12,912</b>	<b>72</b>

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

	2014 \$'000	2013 \$'000
Opening balance at 1 July	72	45
Impairment loss recognised	34	23
Receivables written off during the year as uncollectible	(50)	-
Foreign exchange movement	3	4
Closing balance at 30 June	<b>59</b>	<b>72</b>

### 23. Financial risk management and instruments (continued)

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

#### Liquidity risk

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

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

- \$3.5 million cash advance facility;
- \$1.0 million hire purchase and lease facility;
- \$1.49 million bank guarantee facility; and
- \$3.3 million sundry cash facility.

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

#### 2014

Non-derivative financial liabilities	Carrying Amount \$'000	Contractual cash flows \$'000	6 months or less \$'000
Trade and other payables	10,009	10,009	10,009
Borrowings	283	291	-
	<b>10,292</b>	<b>10,300</b>	<b>10,009</b>

#### 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

#### 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 2014 or the year ended 30 June 2013 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.

## 23. 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, Wellmalaysia Sdn Bhd, Wellcom Group Inc, theLab LLC, and as such does not consider the inter group balances to represent short-term currency risk exposure.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily AUD. The Group held no borrowings as at 30 June 2014 and 30 June 2013.

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:

<i>In thousands of AUD</i>	30 June 2014					30 June 2013			
	GBP	NZD	SGD	MYR	USD	GBP	NZD	SGD	MYR
Trade receivables	2,616	175	242	51	1,744	1,949	221	162	48
Trade payables	(1,508)	(48)	(3)	(4)	(270)	(1,140)	(34)	(8)	(4)
Gross exposure	1,108	127	239	47	1,474	809	187	154	44

The following significant exchange rates applied during the year:

\$1 AUD : 1	Average rate		Reporting date spot rate	
	2014	2013	2014	2013
GBP	0.5649	0.6546	0.5525	0.6002
NZD	1.1060	1.2492	1.0722	1.1803
SGD	1.1558	1.2719	1.1765	1.1570
MYR	2.9714	3.1514	3.0247	2.8826
USD	0.9277	-	0.9419	-

### 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 2013.

	Equity \$'000	Profit or loss \$'000
<b>30 June 2014</b>	<b>101</b>	<b>-</b>
GBP	12	9
NZD	22	-
SGD	4	-
MYR	134	-
USD		
<b>30 June 2013</b>		
GBP	74	-
NZD	17	16
SGD	14	-
MYR	4	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2014 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.

## 23. 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.

## 24. Commitments for expenditure

### (a) Plant and equipment

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

### (b) Lease commitments

#### *Group as lessee*

#### i) Non-cancellable operating leases

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

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

	2014 \$'000	2013 \$'000
Within one year	4,046	2,183
Later than one year but not later than five years	9,378	5,190
	<b>13,424</b>	<b>7,373</b>

#### ii) Finance lease and hire purchase

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

Commitments in relation to finance are payable as follows:

Within one year	122	-
Later than one year but not later than five years	169	-
Minimum payments	<b>291</b>	-
Future finance charges	(8)	-
Recognised as a liability	<b>283</b>	-
Representing:		
Finance liabilities		
- Current (note 14)	118	-
- Non-current (note 17)	165	-
	<b>283</b>	-

## 25. Segment information

### (a) Description of segments

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

The operating segments are identified by management based on the nature of the goods or services provided and the country of origin. Discrete financial information about each of these operating businesses is reported to the Board of Directors on a monthly basis. During the year ended 30 June 2014 three reportable segments existed, namely Australasia, the United Kingdom and in the United States of America.

The following tables present revenue, profit, total asset and total liability information for the years ended 30 June 2014 and 30 June 2013.

### (b) Segment information provided to the Board of Directors

2014	Australasia	UK	US	Elimination	Total continuing operations
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	74,358	10,529	5,201	-	90,088
Inter-segment revenue	9	-	-	(9)	-
<b>Total segment revenue</b>	<b>74,367</b>	<b>10,529</b>	<b>5,201</b>	<b>(9)</b>	<b>90,088</b>
<b>Segment result</b>	<b>11,500</b>	<b>1,030</b>	<b>231</b>	<b>-</b>	<b>12,761</b>
Interest revenue	333	-	-	-	333
Interest expense	(93)	(28)	(3)	-	(124)
Depreciation and amortisation	(1,156)	(277)	(156)	-	(1,589)
Goodwill impairment	(323)	-	-	-	(323)
Income tax expense	(2,757)	(181)	(72)	-	(3,010)
<b>Total segment assets</b>	<b>69,639</b>	<b>6,387</b>	<b>10,843</b>	<b>(13,846)</b>	<b>73,023</b>
<b>Total segment liabilities</b>	<b>12,755</b>	<b>2,480</b>	<b>10,752</b>	<b>(11,340)</b>	<b>14,647</b>

## 25. Segment information (continued)

2013	Australasia	UK	Elimination	Total continuing operations
	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	69,339	9,123	-	78,462
Inter-segment revenue	-	-	-	-
<b>Total segment revenue</b>	<b>69,339</b>	<b>9,123</b>	<b>-</b>	<b>78,462</b>
<b>Segment result</b>	<b>10,582</b>	<b>1,318</b>	<b>-</b>	<b>11,900</b>
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)
<b>Total segment assets</b>	<b>69,291</b>	<b>5,376</b>	<b>(4,399)</b>	<b>70,268</b>
<b>Total segment liabilities</b>	<b>12,887</b>	<b>2,313</b>	<b>(1,597)</b>	<b>13,603</b>

### (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*

	2014 \$'000	2013 \$'000
Segment result	12,761	11,900
Interest revenue	333	604
Interest expense	(124)	(112)
Corporate charges	(1,365)	(1,550)
Income tax expense	(3,010)	(2,991)
Profit after tax from continuing operations	<b>8,595</b>	<b>7,851</b>

## 26. Key management personnel disclosures

### (a) Directors

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

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

### (b) Other key management personnel

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

- Stephen Rees (Chief Executive Officer of Australia & New Zealand)
- Andrew Lumsden (Company Secretary, Chief Financial Officer)
- Craig Bevan (Chief Operating Officer)
- Michael Bettridge (Managing Director – Asia)
- Chris Grawe (Managing Director - UK)
- David Bridges (Managing Director – US) (*appointed 1 March 2014*)

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:

	2014	2013
	\$	\$
Short-term employee benefits	1,795,147	1,973,896
Post-employment benefits	152,129	134,421
Long-term benefits	3,807	(3,252)
	<b>1,951,083</b>	<b>2,105,065</b>

## 26. Key management personnel disclosures (continued)

### (d) Key management personnel equity holdings

#### Fully paid ordinary shares held in Wellcom Group Limited

##### Year ended 30 June 2014

	Opening balance 1 July 2013	Granted as remuneration	Other changes	Closing balance 30 June 2014	Balance held nominally
Directors	23,923,211	-	(4,900,000)	19,023,211	-
Other KMP	176,000	-	-	176,000	-
	<b>24,099,211</b>	<b>-</b>	<b>(4,900,000)</b>	<b>19,199,211</b>	<b>-</b>

##### Year ended 30 June 2013

	Opening balance 1 July 2012	Granted as remuneration	Other changes	Closing balance 30 June 2013	Balance held nominally
Directors	25,473,211	-	(1,550,000)	23,923,211	-
Other KMP	183,310	-	(7,310)	176,000	-
	<b>25,656,521</b>	<b>-</b>	<b>(1,557,310)</b>	<b>24,099,211</b>	<b>-</b>

	<b>2014</b>	2013
	<b>\$'000</b>	<b>\$'000</b>

### (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.

Total recognised as revenue	<b>838,093</b>	779,086
Total recognised as expenses	<b>4,763,577</b>	3,799,938

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	<b>240,094</b>	194,807
Current liabilities	<b>746,243</b>	322,817

## 27. Related party disclosures

### (a) Equity interest in related parties

#### Equity interests in subsidiaries:

Interests in subsidiaries are set out in note 28.

#### Equity interests in other related parties:

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

### (b) Key management personnel remuneration

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

### (c) Transactions with other related parties

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

	2014 \$	2013 \$
<i>Third party superannuation contributions</i>		
Contributions to superannuation funds on behalf of employees	2,314,787	2,111,922

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

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

### (e) Terms and conditions

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

## 28. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding* 2014	2013
Wellcom Moving Images Pty Ltd	Australia	Ordinary	100%	100%
Wellcom London Ltd	United Kingdom	Ordinary	100%	100%
Wellcom Group Pte Ltd	Singapore	Ordinary	100%	100%
WellMalaysia Sdn Bhd	Malaysia	Ordinary	100%	100%
iPrint Corporate Pty Ltd	Australia	Ordinary	100%	100%
Wellcom Group Inc **	United States of America	Ordinary	100%	-
theLab LLC **	United States of America	Ordinary	100%	-
Dreamwalk Pty Ltd	Australia	Ordinary	-	100%

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

\*\* Refer to note 29 for details of controlled entities acquired during the year.

\*\*\* Dreamwalk Pty Ltd, a dormant entity was de-registered on the 24 June 2014.

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

## 29. Business Combination

### Year ended 30 June 2014 – Acquisition of theLab LLC

On 1 March 2014 the Group acquired the business and selected assets of theLab LLC, located in the United States of America. The business is headquartered in New York with offices in Los Angeles, California and Columbus, Ohio. The acquisition involved consideration of \$7,076,607 that was fully funded by cash reserves.

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

	<b>Fair value \$'000</b>
<b>Assets:</b>	
Property, plant and equipment	1,047
Other non-current assets	277
<b>Liabilities:</b>	
Trade and other payables	(406)
Borrowings (Finance Lease)	(341)
<b>Net identifiable assets acquired</b>	<b>577</b>
Purchase consideration	7,077
Net identifiable assets acquired	(577)
<b>Goodwill arising on acquisition - Provisional</b>	<b>6,500</b>

The goodwill is attributable to the workforce and the profitability of the acquired business and is provisional as of 30 June 2014. Identification and valuation of net assets acquired will be finalised within the 12 month measurement period as permitted under AASB 3. All transaction costs have been expensed.

### (b) Purchase consideration – cash flow

	<b>\$'000</b>
The cash outflow on acquisition is as follows:	
Cash consideration	(7,077)
Net cash outflow – investing activities	<b>(7,077)</b>

### 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:

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

## 29. Business Combination (continued)

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)

As at 30 June 2014, contingent consideration of \$1,119,417 has been derecognised, as some of the hurdles identified on acquisition have not been achieved. A gain of \$1,119,417 was included in other income as a result.

## 30. Fair Value Measurements

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

- obligation for contingent consideration arising from a business combination.

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

### Fair Value Hierarchy

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

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

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

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

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

### Valuation techniques

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

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

### 30. Fair Value Measurements (continued)

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

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

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

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Contingent purchase consideration</b>	-	1,540

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2013: no transfers).

#### Valuation techniques and inputs used to measure level 3 Fair Values

Refer to note 29, for fair value technique applied at 30 June 2013. There is no further quantitative information, due to the nil balance at 30 June 2014, and the application of the fair value measurement disclosure being prospective.

#### Reconciliation of Recurring Level 3 Fair Value Measurements

Contingent Consideration Arising from Acquisition of Dreamwalk Pty Ltd	\$000
Balance at the beginning of the year	1,540
Additions during the year	-
Gains/(losses) recognised in profit or loss during the year	1,119
Settlements during the year	421
Balance at the end of the year	-

### 31. Parent entity financial information

#### (a) Summary financial information

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

	<b>2014</b>	2013
	<b>\$'000</b>	\$'000
<b>Statement of Financial Position</b>		
Current Assets	<b>17,958</b>	27,405
Total Assets	<b>68,922</b>	68,254
Current Liabilities	<b>10,601</b>	9,374
Total Liabilities	<b>11,071</b>	11,247
<i>Shareholders Equity</i>		
Issued Capital	<b>38,355</b>	38,355
Retained Earnings	<b>19,496</b>	18,652
	<b>57,851</b>	57,007
<b>Profit for the year</b>	<b>7,884</b>	6,839
<b>Total comprehensive income</b>	<b>7,884</b>	6,839

### **31. Parent entity financial information (continued)**

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

As at 30 June 2014, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

#### **(c) Contingent liabilities**

The parent entity did not have any contingent liabilities as at the 30 June 2014 or 30 June 2013.

#### **(d) Guarantees entered into by the parent entity**

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

#### **(e) Financial support**

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

### **32. Subsequent events**

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

#### **Dividends**

On 20 August 2014, the Company declared a final dividend of 11 cents per ordinary share, payable from profits for the year ended 30 June 2014. The total final dividend proposed is \$4,310,900 and will be franked to 100%. The record date for determining entitlements to the dividend is 5 September 2014 and the payment date is the 19 September 2014.

### 33. Additional company information

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

**Registered office**

870 Lorimer Street  
Port Melbourne Victoria 3207

**Principal place of business**

870 Lorimer Street  
Port Melbourne Victoria 3207

**Share registry**

Link Market Services  
Level 1  
333 Collins Street  
Melbourne Victoria 3000

**Auditors**

HLB Mann Judd  
Level 9  
575 Bourke Street  
Melbourne Victoria 3000

**Solicitors**

Anzarut & Partners  
Level 13  
41 Exhibition Street  
Melbourne Victoria 3000

**Bankers**

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

**Stock exchange listings**

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