

# **Wellcom Group Limited**

A.C.N 114 312 542

**Financial report for the year ended 30 June 2006**

# Annual financial report for the financial year ended 30 June 2006

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# Corporate governance statement

The Board of Directors of Wellcom Group Limited is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of Wellcom Group Limited on behalf of the shareholders to whom they are accountable.

The Corporate Governance Statement of Wellcom Group Limited is structured with reference to the Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1: Lay solid foundations for management and oversight
- Principle 2: Structure the board to add value
- Principle 3: Promote ethical and responsible decision making
- Principle 4: Safeguard integrity in financial reporting
- Principle 5: Make timely and balanced disclosure
- Principle 6: Respect the rights of shareholders
- Principle 7: Recognise and manage risk
- Principle 8: Encourage enhanced performance
- Principle 9: Remunerate fairly and responsibly
- Principle 10: Recognise the legitimate interests of stakeholders

Wellcom Group Limited's corporate governance policies were adopted by a resolution of the Board on the 3<sup>rd</sup> May, 2006 and are compliant with the Council's best practice recommendations.

For further information on corporate governance policies adopted by Wellcom Group Limited, refer to our website: [www.wellcom.com.au](http://www.wellcom.com.au)

## Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of Wellcom Group Limited 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.

In the context of director independence, 'materiality' is considered from both the company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material if it is equal to or greater than 10% of the appropriate base amount (unless there is qualitative evidence to the contrary). Qualitative factors considered include the importance of a strategic relationship, competitive landscape, nature of the relationship and the contractual or other arrangements governing it and other factors that indicate the ability of the director in question to shape the direction of the company's loyalty.

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

<b>Name:</b>	<b>Position:</b>
C.A. Anzarut	Non-executive Director
K.B. Smith	Non-executive Director

There are procedures in place, agreed by the Board, to enable directors in furtherance of their duties to seek independent professional advice at the company's expense.

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	1 year
C.A. Anzarut	1 year
K.R. Romanin	Less than 1 year
K.B. Smith	Less than 1 year

### **Audit Committee**

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal framework exists within the entity, including internal controls to deal with the safeguarding of assets, efficient and effective significant business processes, maintenance of proper accounting records and the reliability of financial information, together with non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards to the Audit Committee. The Audit Committee was established 3<sup>rd</sup> May, 2006. There were no audit committee meetings held during the year.

The Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit Committee during the 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 27 years, serving on the audit committee of Schroders Australia from 1992 to 2000, also chairing the Credit & Risk Committees at Schroders Australia from 1996 to 2000. He is a director of SMS Management & Technology Limited and a member of its audit committee.

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

W.W. Sidwell has significant experience in the management of Wellcom Group Limited and its predecessor Well.com Pty Ltd, having in excess of 35 years experience in the industry. He is also a director of a number of private companies.

### **Remuneration Committee**

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

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

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

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Chairman and executive management team. W.W. Sidwell and C.A. Anzarut currently act as members of the Remuneration Committee. There have been no remuneration committee meetings held during the year.

## Directors' report

The directors of Wellcom Group Limited submit herewith the annual financial report of the company for the year ended 30 June 2006.

### 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)

W.W. Sidwell formed Wellcom Group Limited's predecessor, Well.com Pty Ltd in 2000 and was the managing director until the business was sold into Wellcom Group Limited in 2005. He has in excess of 35 years experience in the pre-media industry and currently serves on the Board of a number of private companies. Mr Sidwell presently serves on the Audit and Remuneration Committees.

#### **C.A. Anzarut** (Non-executive Director)

C.A. Anzarut combines his work as a practicing solicitor with his role as a non-executive director of the company. Mr Anzarut joined Wellcom Group Limited upon its inception in May 2005. Mr Anzarut presently serves on the Audit and Remuneration Committees.

#### **K.R. Romanin** (Executive Director, Company Secretary and Chief Financial Officer)

K.R. Romanin was appointed as a director of Wellcom Group Limited on the 8<sup>th</sup> September, 2005. Ms Romanin joined the company's predecessor Well.com Pty Ltd in 2004 as Chief Financial Officer.

#### **K.B. Smith** (Non-executive Director)

K. Smith was appointed as a non-executive director of Wellcom Group Limited on the 16<sup>th</sup> March, 2006. Mr Smith is chairman of the company's Audit Committee and is a member of the Remuneration Committee and has served as a director of listed company SMS Management & Technology Limited since the 20<sup>th</sup> December, 2004.

#### **N Kanniappan** (Previous Director)

N Kanniappan was appointed as a director of Wellcom Group Limited upon its inception in May 2005 and resigned from this position on the 7<sup>th</sup> December, 2005.

### COMPANY SECRETARY

#### **K.R. Romanin** (Executive Director, Company Secretary and Chief Financial Officer)

K.R. Romanin was appointed as a company secretary of Wellcom Group Limited upon its inception in May 2005. Ms Romanin joined the company's predecessor Well.com Pty Ltd in 2004 as Chief Financial Officer.

## Interests in the shares of the company

As at the date of this report, the interests of the directors in the shares of Wellcom Group Limited were:

	<b>Number of Ordinary Shares</b>
W.W. Sidwell	25,200,001
C.A. Anzarut	-
K.R. Romanin	25,000
K.B. Smith	-

## DIVIDENDS

In respect of the financial year ended 30 June 2006, an interim dividend of 5 cents per share was paid to the holders of fully paid ordinary shares on the 31<sup>st</sup> March, 2006. The dividend paid was unfranked.

<b>Dividends paid during the year:</b>	<b>Cents</b>	<b>\$</b>
<i>Interim dividend</i>		
- on ordinary shares	5.00	<u>1,959,500</u>

In respect of the financial year ended 30 June 2006, the directors have declared the payment of a final dividend of 5.0 cents per share franked to 100% at a 30% corporate income tax rate, to the holders of fully paid ordinary shares.

The dividend was declared on the 31<sup>st</sup> August, 2006, to be paid on the 30<sup>th</sup> September, 2006.

### Dividends declared during the year:

<i>Final dividend</i>		
- on ordinary shares	5.00	<u>1,959,500</u>

## PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the consolidated entity were:

- Pre-media services
- Digital Asset Management
- Facilities Management
- Digital Photography
- Television production
- Print Management

Other than the commencement of television production through the acquisition of subsidiary company, Wellcom Moving Images Pty Ltd, there have been no other significant changes in the nature of these activities during the year.

## OPERATING AND FINANCIAL REVIEW

### Overview

Wellcom Group Limited was incorporated on the 17<sup>th</sup> May, 2005. On the 30<sup>th</sup> June, 2005 the company acquired the pre-media business of Well.com Pty Ltd for 25,052,000 ordinary shares in Wellcom Group Limited as consideration. Wellcom Group Limited listed on the stock exchange on the 22<sup>nd</sup> July, 2005, issuing a further 14,138,000 ordinary shares in an Initial Public Offering on that date.

### Operating results for the year

Management believes the results of Wellcom Group Limited show the company has had a good year, with all geographic segments contributing towards a satisfactory Net Profit After Tax position.

The year was one in which new business opportunities were seized by the Group. These opportunities included the addition of a number of significant corporate clients to its core pre-media and digital asset management business and the acquisition of the South Australian based television production business of Editco (acquired as a 100% owned subsidiary, Wellcom Moving Images Pty Ltd) which whilst not a material acquisition, laid the foundations for the company to expand into a complimentary business sector.

The Group's profit for the year after income tax was \$5.53 million. Management is pleased with this figure as it shows the business success in consolidating its strong client base and efficiently monitoring and controlling its expenditure.

**Shareholder returns**

The company is pleased to report that return to shareholders, both through dividends and capital growth, reflects the strength and stability of this business.

Our financial measures for the current year are:

Basic earnings per share (cents)	14.415 cents
Return on assets (%)	15.33%
Return on equity (%)	14.42%
Dividend payout ratio (%)	70.84%

**Liquidity and Financial Condition**

The consolidated cashflow statement illustrates that there was an increase in cash and cash equivalents in the year ended 30 June 2006 of \$8,424,370. Of this total net cashflow for the year, operating activities generated \$3,784,862 and financing activities, including the Initial Public Offering generated a net cashflow of \$8,998,252. These cash inflows were offset by net cash outflows of \$4,358,744 used for investing activities, mainly attributable to the repayment of related party debt and plant & equipment acquisitions.

**Share issues during the year**

The acquisition of the Well.com Pty Ltd business was funded by the issue of 25,052,000 ordinary shares at a price of \$1.00 per share. Of these shares, 3,300,000 represented consideration paid for 50% of the ordinary shares of iPrint Corporate Pty Ltd acquired from Well.com Pty Ltd. The only cash cost of these acquisitions related to legal and other professional business acquisition costs.

A further 13,500,000 ordinary shares were issued, at a price of \$1.00 per share, on the 22<sup>nd</sup> July, 2005 by way of an Initial Public Offering and 500,000 ordinary shares were issued, at a price of \$1.00 per share, on the 22<sup>nd</sup> July, 2005 to Mariner Corporate Finance in consideration for professional services provided in relation to the listing.

An additional 138,000 shares were issued on the 22<sup>nd</sup> July, 2005 under the Wellcom Group Limited employee share plan.

**Profile of Debts**

The consolidated entity's debt finance at the 30<sup>th</sup> June, 2006 is as follows:

	<b>2006</b>
	<b>\$</b>
Current	
Obligations under finance lease	410,105
Obligations under hire purchase contract	259,484
Commercial Bills	<u>980,170</u>
	1,649,759
Non Current	
Obligations under hire purchase contract	<u>290,431</u>
	<u>290,431</u>
	<b><u>1,940,190</u></b>

The amount of the consolidated entity's debts have decreased during the year with \$3,865,445 acquired through the acquisition of Well.com Pty Ltd, primarily due to the repayment of \$1,000,000 commercial bill.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Total equity increased by \$41,927,928 to \$41,906,129 during the period. The movement was largely due to an issue of 25,252,000 shares to acquire the Well.com Pty Ltd business and iPrint Corporate Pty Ltd issued capital, a capital raising through a share issue of \$14,138,000 to the public and employees on the 22<sup>nd</sup> July, 2005, and profits for the year.

## **SIGNIFICANT EVENTS AFTER BALANCE DATE**

On the 31<sup>st</sup> August, 2006, the directors of Wellcom Group Limited declared a final dividend on ordinary shares in respect of the 2006 financial year. The total amount of the dividend is \$1,959,500 which represents a fully franked dividend of 5 cents per share. The dividend has not been provided for in the 30 June 2006 financial statements.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The directors are hopeful that the 2007 financial year will see an increase in sales through organic growth of the company's existing client base together with the securing of new corporate generated business in both the pre-media and digital asset management streams of the business.

## **ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

## **SHARE OPTIONS**

Wellcom Group Limited did not have any unissued shares under options as at the date of this report.

There were no options exercised during the financial year.

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

During the financial year, the company has paid premiums in respect of an insurance policy insuring all the directors and officers of Wellcom Group Limited against loss, including pecuniary penalties and legal representation expenses incurred in defending proceedings for conduct involving a wrongful act.

## **DIRECTORS' MEETINGS**

The number of meetings of directors held during the year and the number of meetings attended by each director were as follows:

<b>Number of meetings held:</b>	<b>10</b>	
<b>Number of meetings attended:</b>		<b>Number of meetings eligible to attend:</b>
W.W. Sidwell	10	10
C.A. Anzarut	10	10
K.R. Romanin	9*	9*
K.B. Smith	2	2
N. Kanniappan	4	6

\* K. R. Romanin was eligible to attend 6 meetings in the capacity of director and company secretary and 3 meetings in the capacity of company secretary only.

## REMUNERATION REPORT

This report outlines the remuneration arrangements in place for directors and executives of Wellcom Group Limited (the company).

### Remuneration philosophy

The performance of the company depends upon the quality of its directors and executives. The company must motivate and retain skilled directors and executives.

The company embodies the following principles in its remuneration framework:

- Competitive rewards to retain high calibre executives
- Establish appropriate performance criteria for variable executive remuneration
- Link executive rewards to shareholder value

The Board of Directors of the company is responsible for determining and reviewing compensation arrangements for the directors, the Executive Chairman and the senior management team.

### Remuneration Structure

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

#### Non-executive director remuneration

##### Objective

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

##### Structure

The ASX listing rules require the aggregate remuneration of non-executive directors be determined from time to time by a general meeting. The company is yet to have its first general meeting. During the year, each non-executive director received a set fee for being a director of the company, such fee level determined prior to the company's formation in May 2005.

The remuneration of non-executive directors for the year ended 30 June 2006 is detailed in Table 1 of this report.

#### Executive director and key executive remuneration

##### Objective

The company seeks to set executive remuneration at a level commensurate with their position and responsibilities within the company.

Remuneration is reviewed annually by the Board. The process consists of a review of companywide data, state unit and individual performance, relevant comparative remuneration in the market and internally.

##### Structure

The company has entered into employment contracts with all key executives of Wellcom Group Limited.

Key executives 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.

The remuneration of the 5 key executives for the year ended 30 June 2006 is detailed in Table 2 of this report.

**Table 1: Non-executive Directors' remuneration for the year ended 30 June 2006**

	Salary	Directors Fees	Superannuation	Total
C.A. Anzarut	-	30,000	20,000	<b>50,000</b>
K.B. Smith *	-	-	14,651	<b>14,651</b>
N. Kannappan **	-	11,093	998	<b>12,091</b>

\* Appointed 16<sup>th</sup> March, 2006

\*\* Executive director until 8<sup>th</sup> September, 2005, Resigned 7<sup>th</sup> December, 2005

**Table 2: Remuneration of the 5 highest remunerated executives for the year ended 30 June 2006**

	Salary	Directors Fees	Non Monetary Benefits	Superannuation	Total
W.W. Sidwell Executive Chairman	255,740	-	81,633	12,627	<b>350,000</b>
M.Bettridge General Manager (NSW)	140,985	n/a	46,390	12,837	<b>200,212</b>
M. Parker General Manager (VIC)	165,495	n/a	21,878	12,627	<b>200,000</b>
S. Rees General Manager (SA)	175,376	n/a	-	24,624	<b>200,000</b>
K.Romanin Director, Company Secretary, Chief Financial Officer	167,373	-	-	12,627	<b>180,000</b>

### Employment Contracts

#### *W.W. Sidwell*

The Executive Chairman, Mr Sidwell is employed under contract by Wellcom Group Limited. The current employment contract commenced on the 1<sup>st</sup> July, 2005 and terminates on the 30<sup>th</sup> June, 2009 at which time the company may chose to commence negotiations to enter into a new contract with Mr Sidwell.

- Mr Sidwell receives fixed remuneration of \$350,000 per annum
- Both Mr Sidwell and the company may terminate this contract by giving 2 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.

#### *All other executives*

All other executives are employed under contract by Wellcom Group Limited. The current employment contracts commence on the 1<sup>st</sup> July, 2005 and are for indefinite terms, with no pre-determined termination date.

- All executives receive fixed remuneration inclusive of superannuation and other benefits, including motor vehicle benefits.
- Either the executive and the company may terminate this contract by giving 3 months written notice. Where such notice is provided by either the executive or the company, the company may request the executive 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.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The auditor's independence declaration is included on page 10 of the financial report.

### NON-AUDIT SERVICES

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

**ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



W.W Sidwell  
Director

Melbourne, 31 August 2006



31 August 2006

Board of Directors  
Wellcom Group Limited  
870 Lorimer Street  
PORT MELBOURNE VIC 3207

Dear Directors,

**Re: Auditor's Independence declaration**

In relation to our audit of the financial report of Wellcom Group Limited ("Wellcom") for the year ended 30 June 2006 ("the audit"), we make the following declarations to the Board of Directors of Wellcom:

- 1) To the best of our knowledge and belief, there have been no contraventions of:
  - the auditor's independence requirements of the *Corporation Act 2001* in relation to the audit; and
  - any applicable codes of professional conduct in relation to the audit.
- 2) We have maintained our independence in accordance with the provisions of Professional Statement F1, and with the provisions of the *Corporations Act 2001* in performing the audit.

Yours faithfully

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

HLB Mann Judd

A handwritten signature in black ink that reads 'David Nairn'.

DAVID NAIRN  
Partner



INDEPENDENT AUDIT REPORT

***TO THE MEMBERS OF WELLCOM GROUP LIMITED***

**Scope**

*The Financial Report, Remuneration Disclosures and Directors' Responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for both Wellcom Group Limited ("the company"), and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entity it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

*Audit Approach*

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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HLB Mann Judd (VIC Partnership)

HLB Mann Judd (VIC Partnership) is a member of the HLB Group, a world-wide organisation of accounting firms and business advisers.



Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

### **Independence**

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as set out in the financial report has not changed as at the date of providing our audit opinion.

### **Audit opinion**

In our opinion, the financial report of Wellcom Group Limited:

1. gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Wellcom Group Limited and the consolidated entity as at 30 June 2006, and of their performance for the year ended on that date; and
2. is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

HLB MANN JUDD

A handwritten signature in blue ink that reads 'David Nairn'.

**DAVID NAIRN**  
Partner

**31 August 2006**  
**Melbourne**

## Directors' declaration

In accordance with a resolution of the directors of Wellcom Group Limited, I state that:

in the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
  - ii) complying with Accounting Standards and Corporations Regulations 2001; 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.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Board



W.W Sidwell  
Director

Melbourne, 31 August 2006

## Income statement for the financial year ended 30 June 2006

		<b>Consolidated</b>	<b>Company</b>
		<b>2006</b>	<b>2006</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Revenue	3(a)	33,964,593	33,814,220
Cost of sales		(7,944,385)	(7,872,961)
<b>Gross profit</b>		<b>26,020,208</b>	<b>25,941,259</b>
Other income	3(b)	560,779	560,779
Share of profits of associates and jointly controlled entities accounted for using the equity method		529,206	529,206
Marketing expenses		(228,467)	(228,151)
Occupancy expenses		(1,393,872)	(1,385,423)
Employee Benefits expense	3(c)	(13,930,827)	(13,914,987)
Depreciation & amortisation expenses	3(d)	(2,581,920)	(2,571,307)
Finance costs	3(e)	(330,938)	(330,843)
Consulting expenses		(130,867)	(130,867)
Other expenses		(993,671)	(981,126)
<b>Profit before income tax expense</b>		<b>7,519,631</b>	<b>7,488,540</b>
Income tax expense	4(a)	(1,987,402)	(1,978,025)
<b>Profit from continuing operations</b>		<b>5,532,229</b>	<b>5,510,515</b>
<b>Profit attributable to members of the parent entity</b>		<b>5,532,229</b>	<b>5,510,515</b>
<b>Earnings per share:</b>			
Basic (cents per share)	23	14.415	
Diluted (cents per share)	23	14.415	

Notes to the financial statements are included on pages 18 to 51.

## Balance sheet as at 30 June 2006

	Note	Consolidated	Company
		2006	2006
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents	32	8,426,107	8,380,843
Trade and other receivables	7	5,758,164	5,687,928
Inventories	8	184,455	184,455
Other current assets	9	110,217	109,637
<b>Total current assets</b>		<b>14,478,943</b>	<b>14,362,863</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	10	3,829,206	3,829,206
Other non-current financial assets	11	-	200,000
Property, plant and equipment	12	4,501,396	4,409,670
Deferred tax assets	4(d)	974,108	971,934
Goodwill	13	23,657,622	23,608,812
Other intangible assets	14	1,532,051	1,520,926
Other non-current assets	15	79,747	79,747
<b>Total non-current assets</b>		<b>34,574,130</b>	<b>34,620,295</b>
<b>Total assets</b>		<b>49,053,073</b>	<b>48,983,158</b>
<b>Current liabilities</b>			
Trade and other payables	16	1,584,851	1,551,575
Short term borrowings	17	1,649,759	1,649,759
Current tax payables	4(c)	1,960,708	1,949,157
Provisions	18	1,305,868	1,302,494
<b>Total current liabilities</b>		<b>6,501,186</b>	<b>6,452,985</b>
<b>Non-current liabilities</b>			
Long term borrowings	19	290,431	290,431
Deferred tax liabilities	4(d)	161,711	161,711
Provisions	20	193,616	193,616
<b>Total non-current liabilities</b>		<b>645,758</b>	<b>645,758</b>
<b>Total liabilities</b>		<b>7,146,944</b>	<b>7,098,743</b>
<b>Net assets</b>		<b>41,906,129</b>	<b>41,884,415</b>
<b>Equity</b>			
Contributed equity	21	38,355,200	38,355,200
Retained earnings	22	3,550,929	3,529,215
<b>Total equity</b>		<b>41,906,129</b>	<b>41,884,415</b>

Notes to the financial statements are included on pages 18 to 51.

## Statement of Changes in Equity for the financial year ended 30 June 2006

	Note	Consolidated			Company		
		Share Capital	2006 \$ Retained Earnings	Total	Share Capital	2006 \$ Retained Earnings	Total
<b>At 1 July, 2005</b>	21	1	(21,800)	(21,799)	1	(21,800)	(21,799)
Share Issue costs (net of tax effect)		(1,192,573)	-	(1,192,573)	(1,192,573)	-	(1,192,573)
Income tax on items taken directly to or transferred from equity		357,772	-	357,772	357,772	-	357,772
<b>Net income recognised directly in equity</b>		(834,800)	(21,800)	(856,600)	(834,800)	(21,800)	(856,600)
Profit for the period		-	5,532,229	5,532,229	-	5,510,515	5,510,515
<b>Total income and expense recognised for the period</b>		(834,800)	5,510,429	4,675,629	(834,800)	5,488,715	4,653,915
Issue of share capital to acquire Well.com Pty Ltd business (issued at \$1 per share)		21,752,000	-	21,752,000	21,752,000	-	21,752,000
Issue of share capital to acquire 50% interest in iPrint Corporate Pty Ltd (issued at \$1 per share)		3,300,000	-	3,300,000	3,300,000	-	3,300,000
Issue of share capital in an Initial Public Offering (issued at \$1 per share)		14,000,000	-	14,000,000	14,000,000	-	14,000,000
Cost of share-based payment		138,000	-	138,000	138,000	-	138,000
Dividends Paid	24	-	(1,959,500)	(1,959,500)	-	(1,959,500)	(1,959,500)
<b>As at 30 June, 2006</b>		38,355,200	3,550,929	41,906,129	38,355,200	3,529,215	41,884,415
Total Equity at 30 June, 2006 attributable to:							
Equity holders of the parent		38,355,200	3,550,929	41,906,129	38,355,200	3,529,215	41,884,415

Notes to the financial statements are included on pages 18 to 51.

## Cash flow statement for the financial year ended 30 June 2006

	Note	Consolidated	Company
		2006	2006
		\$	\$
<b>Cash flows from operating activities</b>			
Receipts from customers		31,657,493	31,562,319
Payments to suppliers and employees		(27,681,114)	(27,596,132)
Interest and other costs of finance paid		(191,517)	(191,422)
Net cash provided by/(used in) operating activities	32 (d)	3,784,862	3,774,765
<b>Cash flows from investing activities</b>			
Interest received		486,273	486,273
Proceeds from repayment of related party loans		4,581,731	4,581,731
Amounts advanced to related parties		(6,154,223)	(6,154,223)
Payment for property, plant and equipment		(2,283,481)	(2,283,481)
Proceeds from sale of property, plant and equipment		27,155	27,155
Payment for investments		(162,008)	(197,175)
Payment for intangible assets		(854,191)	(854,191)
Net cash (used in)/provided by investing activities		(4,358,744)	(4,393,911)
<b>Cash flows from financing activities</b>			
Proceeds from issues of equity securities		13,500,000	13,500,000
Payment for share issue costs		(587,922)	(587,922)
Repayment of borrowings		(1,954,326)	(1,954,326)
Dividends paid		(1,959,500)	(1,959,500)
Net cash provided by/(used in) financing activities		8,998,252	8,998,252
<b>Net increase in cash and cash equivalents</b>		8,424,370	8,379,106
<b>Cash and cash equivalents at the beginning of the financial year</b>		1,737	1,737
<b>Cash and cash equivalents at the end of the financial year</b>	32(a)	8,426,107	8,380,843

Notes to the financial statements are included on pages 18 to 51.

## Notes to the financial statements for the financial year ended 30 June 2006

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## 1. Corporate Information

The financial report of Wellcom Group Limited (the Company) for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 31 August 2006.

Wellcom Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis.

The company was incorporated on the 17<sup>th</sup> May, 2005. Accordingly there are no comparative year figures shown in this financial report. Opening balance referred to in the notes to this financial report represent initial company, business acquisition and listing expenses incurred prior to the 30<sup>th</sup> June, 2005.

The financial report is presented in Australian dollars and all values are rounded to the nearest dollar.

### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

The entity was incorporated on the 17<sup>th</sup> May, 2005 and implemented its accounting policies on that date to comply with AIFRS. Accordingly there was no requirement for the entity to adopt Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'.

With the exception of the revised AASB 119 'Employee Benefits', Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006.

#### AASB Amendment

2005-1	(AASB 139: Financial Instruments: Recognition and Measurement)
2005-6	(AASB 3: Business Combinations)
2005-10	(AASB 132: Financial Instruments: Disclosure and Presentation AASB 101: Presentation of Financial Statements AASB 114: Segment Reporting AASB 117: Leases AASB 133: Earnings per share AASB 139: Financial Instruments: Recognition and Measurement)
New	( AASB 7 : Financial Instruments: Disclosures)

No changes to accounting policies are required from the above amendments/issues therefore no impact on the consolidated entity.

Amendments not identified above are not applicable to the consolidated entity and therefore have no impact.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiary, Wellcom Moving Images Pty Ltd as at the 30<sup>th</sup> June, 2006 (the Group). The acquisition has been accounted for using the purchase method of accounting.

Wellcom Moving Images Pty Ltd was acquired as part of the Group on the 16<sup>th</sup> March, 2006. Accordingly, the financial statements of the subsidiary have been prepared for the period 16<sup>th</sup> March, 2006 to 30<sup>th</sup> June, 2006 using consistent accounting policies.

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.

## 2. Summary of significant accounting policies

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The acquisition of Wellcom Moving Images Pty Ltd on 15<sup>th</sup> March, 2006 has been accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the consolidated financial statements include the results of Wellcom Moving Images Pty Ltd for the period from 15<sup>th</sup> March, 2006 to 30<sup>th</sup> June, 2006.

Wellcom Moving Images Pty Ltd is 100% owned by Wellcom Group Limited. Accordingly, there are no minority interests accounted for in the consolidated financial report.

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

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities in future reporting periods are:

#### *Impairment of plant & equipment, goodwill and intangible assets*

The Group determines whether plant & equipment, goodwill and intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the plant & equipment, goodwill and intangibles are allocated.

### (e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

#### *Sale of goods*

Revenue from the sale of goods is recognised when the entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

#### *Rendering of services*

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

#### *Dividend and Interest Revenue*

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

### (f) Borrowings

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

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the income statement over the period of the borrowings using the effective interest rate method.

### (g) Borrowing costs

Borrowing costs are expensed as they are incurred.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and 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 balance sheet.

## 2. Summary of significant accounting policies

### (i) Employee benefits

The directors have elected under s.334(5) of the *Corporations Act 2001* to apply Accounting Standard AASB 119 'Employee Benefits', even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

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

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

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

### (j) Financial assets

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

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

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

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

The consolidated entity did not have any assets classified as "financial assets at fair value through profit or loss" during this reporting period.

#### Held-to-maturity investments

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

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

#### Available-for-sale financial assets

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

#### Loans and receivables

##### i) *Trade receivables*

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

An allowance for doubtful debts is made when there is objective evidence that the Group may not be able to collect the debts. Bad debts are written off when identified.

##### ii) *Loans and other receivables*

Loans, and other receivables are recorded at amortised cost using the effective interest method less impairment.

### (k) Financial instruments issued by the company

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

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

#### Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

## Summary of significant accounting policies

### (l) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost is measured as follows:

Raw materials – purchase cost

Work in progress – cost of direct materials and labour and a proportion of operating overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### (m) Foreign currency

#### Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Where foreign currency monetary items exist at reporting date, they are translated at the exchange rate existing at reporting date.

### (n) Goods and services tax

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

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

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

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

### (o) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, 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. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

### (p) Impairment of assets

The consolidated entity reviews the carrying amounts of its tangible and intangible assets 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

## 2. Summary of significant accounting policies

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, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (q) Income tax

#### Current income tax

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

#### Deferred income tax

Deferred income tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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

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

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

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

#### Current and deferred income tax for the period

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

## 2. Summary of significant accounting policies

### (r) Intangible assets

#### Intangible assets acquired in a business combination

All intangible assets acquired in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. All potential intangible assets are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised developments costs, are not capitalised and expenditure is recognised as an expense in the period incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern 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 each reporting period to determine whether 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.

The consolidated entity has identified the following intangible assets, all assessed as having a finite useful life:

- Customer List
- Customer Contracts
- Software Database

These intangible assets are amortised over the period of expected future sales from the related customer/project.

### (s) Interest in a joint venture

The Group has a 50% interest in iPrint Corporate Pty Ltd, a joint venture between the Group and Australian Postal Corporation. The joint venture is accounted for using the equity method of accounting in the consolidated financial statements.

After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the joint venture. The consolidated income statement reflects the Group's share of the results of operations of the joint venture.

Under the equity method, the investment in the joint venture is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of the net assets of the joint venture.

The reporting dates of the joint venture and the Group are identical and the joint ventures accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

### (t) 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.

## 2. Summary of significant accounting policies

### 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 balance sheet 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 against income.

Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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

### Lease incentives

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

### **(u) 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.

### **(v) 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 or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

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

• Leasehold Improvements	6 years
• Plant & Equipment	3 - 6 years
• Equipment under finance lease	3 - 6 years
• Office Equipment	5 years
• Furniture, Fixtures & Fittings	5 years

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

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

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

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition 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.

## 2. Summary of significant accounting policies

### (w) 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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

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.

### (x) Share-based payment transactions

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured as the market value of the security on the date of the grant.

The fair value determined at the grant date of the equity-settled share-based payments is expensed to the income statement.

The consolidated entity issued 138,000 shares on the 22<sup>nd</sup> July, 2005 under an employee share plan. The shares were issued to Wellcom Print Pty Ltd as trustee for 138 employees of Wellcom Group Limited who were entitled to 1,000 shares each. The shares were held in trust for a period of 12 months.

### (y) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

### (z) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets, including business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the asset given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at that date is an unreliable indicator of fair value and other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly to equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognised directly in the income statement, but only after reassessment of the identification and measurement of the net assets acquired.

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

## 2. Summary of significant accounting policies

### (aa) 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.

### (ab) 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.

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>3. Profit from operations</b>		
<b>Revenue and expenses from operations</b>		
<b>(a) Revenue</b>		
Revenue from the rendering of services	33,964,593	33,814,220
	33,964,593	33,814,220
<b>(b) Other income</b>		
Rental Revenue	46,444	46,444
Interest Revenue (bank deposits)	496,106	496,106
Net gains on disposal of property, plant & equipment	17,134	17,134
Other	1,095	1,095
	560,779	560,779
	34,525,372	34,374,999
<b>(c) Employee Benefits expense</b>		
Salaries and wages	13,623,333	13,607,829
Fringe Benefits Tax	117,290	117,290
Share Based Payments	138,000	138,000
Staff Amenities	52,204	51,868
	13,930,827	13,914,987
<b>(d) Depreciation &amp; amortisation expense</b>		
Depreciation of non-current assets	1,719,338	1,709,600
Amortisation of non-current assets	862,582	861,707
	2,581,920	2,571,307
<b>(e) Finance costs</b>		
Interest on commercial bills	89,364	89,364
Other interest expense	749	749
Other finance costs	240,825	240,730
	330,938	330,843

**(f) Revision of accounting estimates**

During the financial year the directors reassessed the useful life of all items of plant and equipment based upon the historical performance and the expected future use of individual assets. The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, is to effect consolidated depreciation expense in the current financial year and for the next 4 years, by the following amounts:

	<b>\$</b>
2006	560,000
2007	13,000
2008	(255,000)
2009	(9,500)
2010	(300,000)

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>4. Income taxes</b>		
<b>(a) Income tax recognised in profit or loss</b>		
<b>Tax expense/(income) comprises:</b>		
Current income tax expense/(income)	2,567,128	2,555,577
Deferred income tax expense/(income) relating to the origination and reversal of temporary differences	(526,180)	(524,006)
Write-downs (reversals of previous write-downs) of deferred tax assets	(53,546)	(53,546)
Total income tax expense/(income)	1,987,402	1,978,025
<b>Attributable to:</b>		
Continuing operations	1,987,402	1,978,025
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	7,519,631	7,488,540
Income tax expense calculated at 30%	2,255,890	2,246,562
Donations	1,500	1,500
Non-deductible expenses	107,039	106,990
Other deductible expenses	(165,560)	(165,560)
Previously unrecognised and unused tax losses and tax offsets now recognised deferred tax assets	(53,546)	(53,546)
Non-assessable income	(157,862)	(157,862)
Other	(59)	(59)
	1,987,402	1,978,025
The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.		
<b>(b) Income tax recognised directly in equity</b>		
The following current and deferred amounts were charged directly to equity during the period:		
Current tax:		
Share-issue expenses	357,772	357,772
	357,772	357,772
<b>(c) Current tax assets and liabilities</b>		
<b>Current tax assets:</b>		
	-	-
<b>Current tax payables:</b>		
Income tax payable attributable to:		
Parent entity	1,949,157	1,949,157
Entities other than the parent entity	11,551	-
	1,960,708	1,949,157

	Consolidated	Company
	2006	2006
	\$	\$
<b>4. Income taxes (continued)</b>		
<b>(d) Deferred tax balances</b>		
<b>Deferred tax assets comprise:</b>		
Temporary differences	974,108	971,934
	974,108	971,934
<b>Deferred tax liabilities comprise:</b>		
Temporary differences	161,711	161,711
	161,711	161,711

Taxable and deductible temporary differences arise from the following:

Consolidated 2006	Opening balance	Charged to income	Charged to equity	Acquisition s/ disposals	Closing balance
<b>Gross deferred tax liabilities:</b>					
Interest Receivable	-	2,949	-	-	2,949
Investments in Associates	-	158,762	-	-	158,762
	-	161,711	-	-	161,711
<b>Gross deferred tax assets:</b>					
Doubtful debts	-	3,944	-	-	3,944
Provisions	380,603	69,242	-	-	449,845
Intangible Assets	-	198,563	-	-	198,563
Accruals	1,527	9,228	-	-	10,755
Share Issue Costs	-	(71,555)	357,772	-	286,217
Other	152,735	(127,950)	-	-	24,785
	534,865	81,472	357,772	-	974,109
Company 2006	Opening balance \$	Charged to income \$	Charged to equity \$	Acquisition s/ disposals \$	Closing balance \$
<b>Gross deferred tax liabilities:</b>					
Interest Receivable	-	2,949	-	-	2,949
Investments in Associates	-	158,762	-	-	158,762
	-	161,711	-	-	161,711
<b>Gross deferred tax assets:</b>					
Doubtful debts	-	3,944	-	-	3,944
Provisions	380,603	68,230	-	-	448,833
Intangible Assets	-	198,300	-	-	198,300
Accruals	1,527	8,328	-	-	9,855
Share Issue Costs	-	(71,555)	357,772	-	286,217
Other	152,735	(127,950)	-	-	24,785
	534,865	79,297	357,772	-	971,934

## 5. Key management personnel remuneration

The directors of Wellcom Group Limited during the year were:

- Wayne Sidwell (Executive Chairman)
- Katrina Romanin (Director, Company Secretary, Chief Financial Officer)
- Charles Anzarut (Non-executive Director)
- Kerry Smith (Non-executive Director)

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

- Michael Bettridge (General Manager New South Wales)
- Mark Parker (General Manager Victoria)
- Stephen Rees (General Manager South Australia)

The consolidated entity has entered into employment contracts with all key management personnel of the consolidated entity/company. Key executives 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.

The remuneration of the key management personnel for the period ending 30 June 2006 is as follows:

	Primary Benefits		Post-employment benefits				Total
	Salary & fees	Non-monetary	Superannuation	Pre-scribed benefits	Other	Equity/Options	
2006	\$	\$	\$	\$	\$	\$	\$
<b>Directors' remuneration</b>							
Wayne Sidwell	255,740	81,633	12,627	-	-	-	350,000
Katrina Romanin	167,373	-	12,627	-	-	-	180,000
Charles Anzarut	30,000	-	20,000	-	-	-	50,000
Kerry Smith	-	-	14,651	-	-	-	14,651
Nadaraja Kanniappan	11,093	-	998	-	-	-	12,091
<b>Total</b>	<b>464,206</b>	<b>81,633</b>	<b>60,903</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>606,742</b>
<b>Other key management personnel remuneration</b>							
Michael Bettridge	140,985	46,390	12,837	-	-	-	200,212
Mark Parker	165,495	21,878	12,627	-	-	-	200,000
Stephen Rees	175,376	-	24,624	-	-	-	200,000
<b>Total</b>	<b>481,856</b>	<b>68,268</b>	<b>50,088</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>600,212</b>

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>6. Remuneration of auditors</b>		
<b>Auditor of the parent entity</b>		
Audit/ review of the half year financial report	28,703	28,703
Audit/review of the financial report	46,500	43,500
Taxation services	-	-
Other non-audit services	-	-
	75,203	72,203

The auditor of Wellcom Group Limited is HLB Mann Judd.

<b>7. Current trade and other receivables</b>		
Trade receivables	5,754,958	5,684,722
Allowance for doubtful debts	(13,148)	(13,148)
	5,741,810	5,671,574
Interest Income receivable	9,832	9,832
Goods and services tax (GST) recoverable	6,522	6,522
	5,758,164	5,687,928

Trade receivables are non-interest bearing and have an average credit period of 30 - 60 days. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired. An allowance \$13,148 (company: \$13,148) has been recognised as an expense for the current year for specific debtors where such evidence exists. The amount of the 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.

**8. Current inventories**

Raw materials (at cost)	139,082	139,082
Work in progress (at cost)	45,373	45,373
	184,455	184,455

**9. Other current assets**

Prepayments	83,378	82,798
Other (Refund due on Workcover premium)	26,839	26,839
	110,217	109,637

## 10. Investments accounted for using the equity method

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Investments in jointly controlled entities	3,829,206	3,829,206
	3,829,206	3,829,206
<b>Financial information of jointly controlled entities:</b>		
Current assets	10,230,300	
Non-current assets	218,817	
	10,449,117	
Current liabilities	7,577,879	
Non-current liabilities	19,831	
	7,597,710	
<b>Net assets</b>	<b>2,851,407</b>	
<b>Income</b>	44,097,711	
<b>Expenses</b>	42,585,695	
<b>Share of jointly controlled entities' profit or loss:</b>		
Share of profit/(loss) before income tax	756,008	
Income tax expense	(226,802)	
Share of jointly controlled entities' profit/(loss)	529,206	

### Jointly controlled entity details:

The jointly controlled entity of Wellcom Group Limited referred in this financial report is iPrint Corporate Pty Ltd (ACN 098 352 875). iPrint Corporate Pty Ltd operates a print management business, incorporated in Australia on the 5<sup>th</sup> October, 2001. Wellcom Group Limited holds a 50% shareholding in iPrint Corporate Pty Ltd.

### Dividends received from joint ventures

During the year, the consolidated entity did not receive any dividends from its jointly controlled entity.

## 11. Other Non Current Financial Assets

Available-for-sale financial assets

Unlisted investments, at cost		
- Shares in controlled entities	-	200,000
	-	200,000

Available-for-sale financial assets comprise an investment in the ordinary issued capital of Wellcom Moving Images Pty Ltd, a wholly owned subsidiary. There are no fixed returns or a fixed maturity date attached to this investment.

The fair value of unlisted available-for-sale financial assets cannot be reliably measured as variability in the range of reasonable fair value estimates is significant. As a result, the unlisted investment is reflected at cost. Unlisted available-for-sale financial assets exist within active markets and could be disposed of if required.

## 12. Property, plant and equipment

	Consolidated				Total
	Plant and equipment (at cost)	Leasehold improve- ments (at cost)	Furniture and fittings (at cost)	Equip- ment under finance lease (at cost)	
	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Additions	1,350,351	689,479	18,128	-	2,057,958
Disposals	(139,304)	(34,364)	(58,488)	-	(232,156)
Acquisitions through business combinations	3,526,827	396,619	331,142	55,296	4,309,884
<b>Balance at 30 June 2006</b>	<u>4,737,874</u>	<u>1,051,734</u>	<u>290,782</u>	<u>55,296</u>	<u>6,135,686</u>
<b>Accumulated depreciation/ amortisation and impairment</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Disposals	(30,902)	(16,749)	(37,397)	-	(85,048)
Depreciation expense	1,484,633	116,678	100,282	17,745	1,719,338
<b>Balance at 30 June 2006</b>	<u>1,453,731</u>	<u>99,929</u>	<u>62,885</u>	<u>17,745</u>	<u>1,634,290</u>
<b>Net book value</b>					
As at 1 July 2005	-	-	-	-	-
As at 30 June 2006	<u>3,284,143</u>	<u>951,805</u>	<u>227,897</u>	<u>37,551</u>	<u>4,501,396</u>

**12. Property, plant and equipment (continued)**

	Plant and equipment (at cost)	Leasehold improve- ments (at cost)	Company Furnitur e and fittings (at cost)	Equip- ment under finance lease (at cost)	Total
	\$	\$	\$	\$	\$
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Additions	1,350,351	689,479	17,855	-	2,057,685
Disposals	(139,304)	(34,364)	(58,488)	-	(232,156)
Acquisitions through business combinations	3,427,837	396,619	328,942	55,296	4,208,694
<b>Balance at 30 June 2006</b>	<u>4,638,884</u>	<u>1,051,734</u>	<u>288,309</u>	<u>55,296</u>	<u>6,034,223</u>
<b>Accumulated depreciation/ amortisation and impairment</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Disposals	(30,902)	(16,749)	(37,396)	-	(85,047)
Depreciation expense	1,475,057	116,678	100,120	17,745	1,709,600
<b>Balance at 30 June 2006</b>	<u>1,444,155</u>	<u>99,929</u>	<u>62,724</u>	<u>17,745</u>	<u>1,624,553</u>
<b>Net book value</b>					
As at 1 July 2005	-	-	-	-	-
As at 30 June 2006	<u>3,194,729</u>	<u>951,805</u>	<u>225,585</u>	<u>37,551</u>	<u>4,409,670</u>

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	\$	\$
Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
Furniture & Fittings (incl Office Equipment)	100,282	100,120
Leasehold improvements	116,678	116,678
Plant and equipment	1,484,633	1,475,057
Equipment under finance lease	17,745	17,745
	<u>1,719,338</u>	<u>1,709,600</u>

### 13. Goodwill

	Consolidated 2006 \$	Company 2006 \$
<b>Gross carrying amount</b>		
<b>Balance at 1 July 2005</b>	-	-
Additional amounts recognised from business combinations occurring during the period	22,801,286	22,752,476
Other	856,336	856,336
<b>Balance at 30 June 2006</b>	23,657,622	23,608,812
<b>Accumulated impairment losses</b>		
<b>Balance at 1 July 2005</b>	-	-
Impairment losses for the year	-	-
<b>Balance at 30 June 2006</b>	-	-
<b>Net book value</b>		
As at 1 July 2005	-	-
As at 30 June 2006	23,657,622	23,608,812

During the financial year, the consolidated entity assessed the recoverable amount of goodwill, and determined that no write-down of the carrying amount of goodwill was necessary. The recoverable amount of each cash-generating unit was assessed by reference to the expected future cashflows.

#### **Allocation of goodwill to cash-generating units**

Goodwill has been allocated for impairment testing purposes to three (3) groups of cash-generating units, as follows:

##### Groups of cash-generating units

- New South Wales
- Victoria
- South Australia

The carrying amount of goodwill allocated to each of the cash-generating units indicated above accounts for 99% of the consolidated entity's goodwill (company: 100%).

## 14. Other intangible assets

	Customer list \$	Customer Contracts \$	Consolidated Software Database \$	Other \$	Total \$
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Additions from internal developments	-	-	165,830	-	165,830
Acquisitions through business combinations	955,000	820,000	441,803	12,000	2,228,803
<b>Balance at 30 June 2006</b>	<u>955,000</u>	<u>820,000</u>	<u>607,633</u>	<u>12,000</u>	<u>2,394,633</u>
<b>Accumulated amortisation and impairment</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Amortisation expense	386,000	275,000	200,707	875	862,582
<b>Balance at 30 June 2006</b>	<u>386,000</u>	<u>275,000</u>	<u>200,707</u>	<u>875</u>	<u>862,582</u>
<b>Net book value</b>					
As at 1 July 2005	-	-	-	-	-
As at 30 June 2006	<u>569,000</u>	<u>545,000</u>	<u>406,926</u>	<u>11,125</u>	<u>1,532,051</u>
<b>Gross carrying amount</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Additions from internal developments	-	-	165,830	-	165,830
Acquisitions through business combinations	955,000	820,000	441,803	-	2,216,803
<b>Balance at 30 June 2006</b>	<u>955,000</u>	<u>820,000</u>	<u>607,633</u>	<u>-</u>	<u>2,382,633</u>
<b>Accumulated amortisation and impairment</b>					
<b>Balance at 1 July 2005</b>	-	-	-	-	-
Amortisation expense	386,000	275,000	200,707	-	861,707
<b>Balance at 30 June 2006</b>	<u>386,000</u>	<u>275,000</u>	<u>200,707</u>	<u>-</u>	<u>861,707</u>
<b>Net book value</b>					
As at 1 July 2005	-	-	-	-	-
As at 30 June 2006	<u>569,000</u>	<u>545,000</u>	<u>406,926</u>	<u>-</u>	<u>1,520,926</u>

Amortisation expense is included in the Depreciation and Amortisation line item in the income statement.

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>15. Other non-current assets</b>		
Deposits Paid	79,747	79,747
	<u>79,747</u>	<u>79,747</u>
<b>16. Current trade and other payables</b>		
Trade payables	1,021,052	994,824
Goods and services tax (GST) payable	462,241	456,033
Other	101,558	100,718
	<u>1,584,851</u>	<u>1,551,575</u>
<p>The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables. The consolidated entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.</p>		
<b>17. Short term borrowings</b>		
<b><u>Secured</u></b>		
<b>At amortised cost</b>		
Commercial Bills	980,170	980,170
Finance lease & hire purchase liabilities (note 27)	669,589	669,589
	<u>1,649,759</u>	<u>1,649,759</u>
<b>18. Current provisions</b>		
Employee benefits	1,305,868	1,302,494
	<u>1,305,868</u>	<u>1,302,494</u>
<b>19. Long term borrowings</b>		
<b><u>Secured</u></b>		
<b>At amortised cost</b>		
Hire purchase liabilities (note 27)	290,431	290,431
	<u>290,431</u>	<u>290,431</u>
<b>20. Non-current provisions</b>		
Employee benefits	193,616	193,616
	<u>193,616</u>	<u>193,616</u>
<b>21. Contributed equity</b>		
39,190,001 fully paid ordinary shares	38,355,200	38,355,200
	<u>38,355,220</u>	<u>38,355,220</u>

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

**21. Contributed equity (continued)**

	<b>Consolidated 2006</b>		<b>Consolidated 2005</b>	
	<b>No</b>	<b>\$</b>	<b>No</b>	<b>\$</b>
<b>Fully paid ordinary shares</b>				
Balance at beginning of financial year	25,052,001	25,052,001	-	-
Issue of shares on incorporation	-	-	1	1
Issue of shares in business combination	-	-	25,052,000	25,052,000
Issue of shares in Initial Public Offering	14,000,000	14,000,000	-	-
Issue of shares under Employee Share Plan	138,000	138,000	-	-
Share issue costs (net of tax)	-	(834,801)	-	-
Balance at end of financial year	<u>39,190,001</u>	<u>38,355,200</u>	<u>25,052,001</u>	<u>25,052,001</u>

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	<b>Consolidated 2006</b>	<b>Company 2006</b>
	<b>\$</b>	<b>\$</b>
<b>22. Retained earnings</b>		
Balance at beginning of financial year	(21,800)	(21,800)
Net profit attributable to members of the parent entity	5,532,229	5,510,515
Dividends provided for or paid (note 24)	(1,959,500)	(1,959,500)
Balance at end of financial year	<u>3,550,929</u>	<u>3,529,215</u>

**23. Earnings per share**

	<b>Consolidated 2006</b>
	<b>Cents per share</b>
<b>Basic earnings per share:</b>	
From continuing operations	14.415
From discontinued operations	-
Total basic earnings per share	<u>14.415</u>

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	<b>\$</b>
Earnings from continuing operations *	<u>5,532,229</u>
	<b>No</b>
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>38,375,652</u>

\* There were no adjustments to net earnings for this calculation.

## 23. Earnings per share (continued)

	Cents per share
<b>Diluted earnings per share:</b>	
From continuing operations	14.415
From discontinued operations	-
Total diluted earnings per share	14.415

The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

	\$
Earnings from continuing operations*	5,532,229
	No
Weighted average number of ordinary shares for the purposes of diluted earnings per share **	38,375,652

\* There were no adjustments to net earnings for this calculation.

\*\* The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	<b>Consolidated 2006 No</b>
Weighted average number of ordinary shares used in the calculation of basic EPS	38,375,652
Weighted average number of ordinary shares used in the calculation of diluted EPS	38,375,652

## 24. Dividends

### Recognised amounts

#### Fully paid ordinary shares

	2006	Total \$
Interim dividend (unfranked)	5c	1,959,500

### Unrecognised amounts

#### Fully paid ordinary shares

Final dividend (franked to 100%)	3.5c	1,371,650
----------------------------------	------	-----------

## 25. Financial Instruments

### Fair values

Set out below is a comparison by category of carrying amounts and fair value's of all of the Group's financial instruments recognised in the financial statements.

The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates. The fair values of other financial assets have been calculated using market interest rates.

	<b>Consolidated Carrying amount</b>	<b>Consolidated Fair value</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash	8,426,107	8,426,107
Trade Receivables	5,741,810	5,741,810
	<u>14,167,917</u>	<u>14,167,917</u>
<b>Financial Liabilities</b>		
Trade Payables	1,021,052	1,021,052
Interest bearing loans and borrowings		
- Obligations under finance lease and hire purchase contracts	960,020	960,020
- Fixed rate borrowings	980,170	980,170
	<u>2,961,242</u>	<u>2,961,242</u>
<b>Company</b>		
	<b>Carrying amount</b>	<b>Fair value</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Financial Assets</b>		
Cash	8,380,843	8,380,843
Trade Receivables	5,671,574	5,671,574
	<u>14,052,417</u>	<u>14,052,417</u>
<b>Financial Liabilities</b>		
Trade Payables	994,824	994,824
Interest bearing loans and borrowings		
- Obligations under finance lease and hire purchase contracts	960,020	960,020
- Fixed rate borrowings	980,170	980,170
	<u>2,935,014</u>	<u>2,935,014</u>

## 25. Financial Instruments (continued)

### Interest Rate Risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

#### CONSOLIDATED

	<u>&lt; 1 year</u> \$	<u>1-2 years</u> \$	<u>Total</u> \$
<b>Financial Assets</b>			
<i>Floating rate</i>			
Cash assets	8,426,107		8,426,107
<i>Weighted average effective interest rate</i>	5.70%	-	
<b>Financial Liabilities</b>			
<i>Fixed rate</i>			
Obligations under finance lease and hire purchase contracts	669,589	290,431	960,020
<i>Weighted average effective interest rate</i>	7.26%	7.63%	
<i>Floating rate</i>			
Commercial Bill	980,170		980,170
<i>Weighted average effective interest rate</i>	6.26%	-	

#### COMPANY

	<u>&lt; 1 year</u> \$	<u>1-2 years</u> \$	<u>Total</u> \$
<b>Financial Assets</b>			
<i>Floating rate</i>			
Cash assets	8,380,843		8,380,843
<i>Weighted average effective interest rate</i>	5.70%	-	
<b>Financial Liabilities</b>			
<i>Fixed rate</i>			
Obligations under finance lease and hire purchase contracts	669,589	290,431	960,020
<i>Weighted average effective interest rate</i>	7.26%	7.63%	
<i>Floating rate</i>			
Commercial Bill	980,170		980,170
<i>Weighted average effective interest rate</i>	6.26%	-	

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>26. Commitments for expenditure</b>		
<b>(a) Capital expenditure commitments</b>		
<u>Plant and equipment</u>		
Not longer than 1 year	612,000	612,000
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	612,000	612,000

**(b) Lease commitments**

Finance lease liabilities and non-cancellable operating lease commitments are disclosed in note 27 to the financial statements.

**27. Leases**

**Disclosures for lessees**

**Finance leases**

**Leasing arrangements**

Finance leases relate to business plant and equipment with lease terms of one to two years. The consolidated entity has the option to purchase the plant and equipment for a nominal amount at the conclusion of the lease agreements.

**Finance lease liabilities**

	<b>Minimum future lease payments</b>		<b>Present value of minimum future lease payments</b>	
	<b>Consolidated</b>	<b>Company</b>	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
No later than 1 year	744,498	744,498	669,589	669,589
Later than 1 year and not later than 5 years	270,861	270,861	290,431	290,431
Later than five years	-	-	-	-
Minimum lease payments*	1,015,359	1,015,359	960,020	960,020
Less future finance charges	(55,339)	(55,339)	-	-
Present value of minimum lease payments	960,020	960,020	960,020	960,020

Included in the financial statements as:

Current borrowings (note 17)	669,589	669,589
Non-current borrowings (note 19)	290,431	290,431
	960,020	960,020

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

## 27. Leases (continued)

### Operating leases

#### Leasing arrangements

Operating leases relate to business premises with lease terms of between three and five years, with options to extend for further periods of five years. All operating lease contracts contain market review clauses in the event the consolidated entity exercises its option to renew. The consolidated entity does not have the option to purchase the leased asset at the expiry of the lease period.

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Non-cancellable operating leases</b>		
Not longer than 1 year	1,260,994	1,260,994
Longer than 1 year and not longer than 5 years	2,460,038	2,460,038
Longer than 5 years	-	-
	<u>3,721,032</u>	<u>3,721,032</u>

## 28. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	% shares acquired (%)	Cost of acquisition \$
<b>2006:</b>				
	Print			
iPrint Corporate Pty Ltd	Management	30 <sup>th</sup> June, 2005	50%	3,300,000
Well.com Pty Ltd	Pre - media	30 <sup>th</sup> June, 2005	n/a	21,752,001
Wellcom Moving Images Pty Ltd	Television			
	Production	15 <sup>th</sup> March, 2006	100%	200,000

#### *iPrint Corporate Pty Ltd*

Wellcom Group Limited acquired 150,100 shares in iPrint Corporate Pty Ltd on the 30<sup>th</sup> June, 2005 from Well.com Pty Ltd. This shareholding represented Well.com Pty Ltd's entire interest in iPrint Corporate Pty Ltd, which equates to 50% of the issued capital of iPrint Corporate Pty Ltd.

Pursuant to a joint venture heads of agreement between Well.com Pty Ltd and Australian Postal Corporation ('APC') and the Constitution of iPrint Corporate Pty Ltd, Well.com Pty Ltd received the consent of APC to undertake the sale.

The acquisition was funded by a share issue (3,300,000 ordinary shares) in Wellcom Group Limited. The share price was based upon the application price of the shares in the initial public offering of Wellcom Group Limited on the 22<sup>nd</sup> July, 2005 of \$1.00 per share.

Well.com Pty Ltd's share of the net assets of iPrint Corporate Pty Ltd on acquisition date were \$892,122, resulting in \$2,407,878 goodwill inherent within the transaction.

#### *Well.com Pty Ltd*

Wellcom Group Limited acquired the pre-media business of Well.com Pty Ltd on the 30<sup>th</sup> June, 2005. The company acquired the assets, goodwill and liabilities of Well.com Pty Ltd with the exception of accounts receivable and some related party debts. The company did not acquire the shares of Well.com Pty Ltd. The acquisition was funded by a share issue (21,752,000 ordinary shares) in Wellcom Group Limited. The acquisition forms the basis of the business operations in the consolidated entity. The cost of the acquisition was \$21,752,000.

## 28. Acquisition of Businesses (continued)

The book value and fair value on acquisition of the Well.com Pty Ltd business are outlined in the following table:

	Book value	Fair value on acquisition	Fair value adj	Total fair value on acquisition
	\$	\$	\$	\$
<b>Net assets acquired</b>				
<b>Current assets:</b>				
Cash and cash equivalents	4,407,010	4,407,010	-	4,407,010
Prepayments	70,815	70,815	-	70,815
Other current assets	113,735	-	(113,735)	-
<b>Non-current assets:</b>				
Plant & equipment	4,208,694	4,208,694	-	4,208,694
Intangible assets	441,803	2,375,454	1,933,651	2,375,454
Goodwill (acquired)	1,140,665	-	(1,140,665)	-
Other non current assets	144,757	134,651	(10,106)	134,651
Deferred Tax Assets	-	385,179	385,179	385,179
<b>Current liabilities:</b>				
Trade and other payables	(1,544,298)	(1,544,298)	-	(1,544,298)
Provisions	(1,163,549)	(1,052,154)	111,395	(1,052,154)
Secured Borrowings	(3,589,966)	(3,445,979)	143,987	(3,445,979)
<b>Non-current liabilities:</b>				
Unsecured Borrowings	(6,000,000)	(6,000,000)	-	(6,000,000)
Secured Borrowings	(419,466)	(419,466)	-	(419,466)
Provisions	(120,382)	(120,382)	-	(120,382)
	<u>(2,310,182)</u>	<u>(1,000,476)</u>	<u>1,309,706</u>	<u>(1,000,476)</u>
Goodwill on acquisition				22,752,476
Total cost on acquisition				<u>21,752,000</u>

### *Wellcom Moving Images Pty Ltd*

Wellcom Group Limited acquired 100% of the ordinary share capital of Wellcom Moving Images Pty Ltd on the 8<sup>th</sup> March, 2006 for a cash consideration of \$200,000. Wellcom Moving Images Pty Ltd then acquired the television production business of Editco on the 15<sup>th</sup> March, 2006. Wellcom Moving Images Pty Ltd acquired the plant & equipment, intangible assets and goodwill only of Editco for a consideration of \$162,000. The acquisition was funded in cash.

The book value and fair value on acquisition of the Editco business are outlined in the following table:

	Book value	Fair value on acquisition	Fair value adj	Total fair value on acquisition
	\$	\$	\$	\$
<b>Net assets acquired</b>				
<b>Current assets:</b>	-	-	-	-
<b>Non-current assets:</b>				
Plant & equipment	101,190	101,190	-	101,190
Intangible assets	12,000	12,000	-	12,000
<b>Current liabilities:</b>	-	-	-	-
<b>Non-current liabilities:</b>	-	-	-	-
	<u>113,190</u>	<u>113,190</u>	<u>-</u>	<u>113,190</u>
Goodwill on acquisition				48,810
Total cost on acquisition				<u>162,000</u>

## 29. Segment information

### Business segments:

For management purposes, the company is organised into three major operating divisions, being each state the company operates from (geographical segments) These state divisions are the basis on which the company reports its primary segment information. The geographical segments of the company for the period ending 30<sup>th</sup> June, 2006 are:

New South Wales  
Victoria  
South Australia

<b>Geographical segments</b>	<b>Segment Revenue 2006 \$</b>	<b>Segment Result 2006 \$</b>
New South Wales	18,240,034	4,492,954
Victoria	11,422,905	2,545,972
South Australia	4,151,281	799,607

### Products and services within each business segment:

The principal products and services of each of these divisions are as follows:

- Pre-media services
- Digital Photography
- Digital Asset Management
- Digital Print (New South Wales only)
- Computer to plate (CTP) production (South Australia only)

## 30. Related party disclosures

### (a) Equity interests in related parties

#### Equity interests in subsidiaries

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 28 to the financial statements.

#### Equity interests in associates and joint ventures

Details of interests in associates and joint ventures are disclosed in note 10 to the financial statements.

#### Equity interests in other related parties

Wellcom Group Limited does not hold share capital of any other entity other than those disclosed in notes 10 and 28 of the financial statements.

### (b) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in note 5 to the financial statements.

### (c) Loan disclosures

There were no loans made to directors or other key management personnel during the reporting period.

### 30. Related party disclosures (continued)

**(d) Key management personnel equity holdings**  
**Fully paid ordinary shares of Wellcom Group Limited**

	Balance 01.07.05	Granted as Remuner- ation	Otherwise Acquired/disposed (personally)	Balance 30.06.06	Balance held nominally
<b>Directors</b>					
Wayne Sidwell	1	-	25,430,000	25,430,001	230,000
Katrina Romanin	-	-	25,000	25,000	-
Charles Anzarut	-	-	-	-	-
Kerry Smith	-	-	-	-	-
<b>Other key management personnel</b>					
Michael Bettridge	-	-	50,000	50,000	-
Mark Parker	-	-	-	-	-
Stephen Rees	-	-	25,000	25,000	-
	<u>1</u>	<u>-</u>	<u>25,530,000</u>	<u>25,530,001</u>	<u>230,000</u>

	<u>Consolidated 2006 \$</u>
<b>(e) Other transactions with directors</b>	
The profit from operations includes the following items of revenue and expense that resulted from transactions other than remuneration, loans or equity holdings, with directors or their personally-related entities:	
Interest revenue	-
Dividends	-
Other	-
Total recognised as revenue	<u>-</u>
Interest expense	-
Legal Fees	44,640
Total recognised as expenses	<u>44,640</u>
Total assets arising from transactions other than loans and amounts receivable in relation to equity instruments with directors or their personally-related entities as at reporting date:	
Current	-
Non-current	1,750
	<u>1,750</u>
Total liabilities arising from transactions other than remuneration with directors or their personally-related entities as at reporting date:	
Current	-
Non-current	-
	<u>-</u>

### **30. Related party disclosures (continued)**

#### **(f) Transactions with other related parties**

Other related parties include:

- the parent entity;
- entities with joint control or significant influence over the consolidated entity;
- associates;
- joint ventures in which the entity is a venturer;
- subsidiaries;
- key management personnel of Wellcom Group Limited
- other related parties.

### **31. Subsequent events**

Subsequent to the end of the reporting period the company has declared a final dividend of 5 cents per share. The total final dividend proposed is \$1,959,500. The dividend will be franked to 100%. The record date for determining entitlements to the dividend is the 15<sup>th</sup> September, 2006.

Except for the declaration of a final dividend mentioned above, there has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company, in future financial periods.

	Consolidated 2006 \$	Company 2006 \$
<b>32. Notes to the cash flow statement</b>		
<b>(a) Reconciliation of cash and cash equivalents</b>		
For the purposes of the cash flow statement, cash & cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash and cash equivalents	8,426,107	8,380,843
	8,426,107	8,380,843
<b>(b) Businesses acquired</b>		
During the financial year, the business of Well.com Pty Ltd (including an investment in iPrint Corporate Pty Ltd) was acquired. Details of the acquisition are as follows (note 28):		
<b>Consideration</b>		
Cash and cash equivalents	-	-
Land and buildings	-	-
Ordinary shares	25,052,000	25,052,000
	25,052,000	25,052,000
<b>Fair value of net assets acquired</b>		
<i>Current assets:</i>		
Cash & cash equivalents	4,407,010	4,407,010
Prepayments	70,815	70,815
<i>Non-current assets:</i>		
Plant & Equipment	4,208,694	4,208,694
Intangible assets	2,375,454	2,375,454
Investments	3,300,000	3,300,000
Deferred tax assets	385,179	385,179
Other non current assets	134,651	134,651
<i>Current liabilities:</i>		
Trade & other payables	(1,544,298)	(1,544,298)
Provisions	(1,052,154)	(1,052,154)
Secured Borrowings	(3,445,979)	(3,445,979)
<i>Non-current liabilities:</i>		
Unsecured borrowings	(6,000,000)	(6,000,000)
Secured borrowings	(419,466)	(419,466)
Provisions	(120,382)	(120,382)
Net assets acquired	2,299,524	2,299,524
Goodwill on acquisition	22,752,476	22,752,476
	25,052,000	25,052,000
<b>Net cash outflow on acquisition</b>		
Cash and cash equivalents consideration	-	-
Less cash and cash equivalent balances acquired	(4,407,010)	(4,407,010)
	(4,407,010)	(4,407,010)

	<b>Consolidated</b>	<b>Company</b>
	<b>2006</b>	<b>2006</b>
	\$	\$
<b>32. Notes to the cash flow statement (continued)</b>		
During the financial year, the business of Wellcom Moving Images Pty Ltd was acquired. Details of the acquisition are as follows (note 28):		
<b>Consideration</b>		
Cash and cash equivalents	162,000	-
Land and buildings	-	-
Ordinary shares	-	-
Other	-	-
	162,000	-
<b>Fair value of net assets acquired</b>		
<i>Current assets:</i>		
<i>Non-current assets:</i>		
Plant & Equipment	101,190	-
Intangible assets	12,000	-
<i>Current liabilities:</i>		
<i>Non-current liabilities:</i>		
Net assets acquired	113,190	-
Goodwill on acquisition	48,810	-
	162,000	-
<b>Net cash outflow on acquisition</b>		
Cash and cash equivalents consideration	162,000	-
Less cash and cash equivalent balances acquired	-	-
	162,000	-
<b>(c) Financing facilities</b>		
Secured bank finance facilities subject to annual review:		
• amount used	2,403,900	2,403,900
• amount unused	7,196,100	7,196,100
	9,600,000	9,600,000

**32. Notes to the cash flow statement  
(continued)**

	<b>Consolidated 2006 \$</b>	<b>Company 2006 \$</b>
<b>(d) Reconciliation of profit for the period to net cash flows from operating activities</b>		
Profit for the period	5,532,229	5,510,515
(Gain)/loss on sale or disposal of non-current assets	22,474	22,474
Share of jointly controlled entities' profit (less dividends)	(529,206)	(529,206)
Depreciation and amortisation of non-current assets	2,581,920	2,571,307
Interest income received and receivable	(496,106)	(496,106)
Non-cash interest expense	139,421	139,421
Other non-cash items	138,000	138,000
Increase/(decrease) in current tax liability	1,960,708	1,949,157
Increase/(decrease) in deferred tax balances	331,078	328,904
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Current receivables	(5,748,332)	(5,678,076)
Current inventories	(184,455)	(184,455)
Other current assets	(39,402)	(38,822)
Non-current receivables	-	-
Increase/(decrease) in liabilities:		
Current payables	(139,018)	(170,526)
Current provisions	142,319	138,946
Other current liabilities	-	-
Non-current payables	-	-
Non-current provisions	73,232	73,232
Other non-current liabilities	-	-
Net cash from operating activities	3,784,862	3,774,765

**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 4  
333 Collins Street  
Melbourne Victoria 3000

## ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 28<sup>th</sup> August, 2006.

### (a) Distribution of equity securities

39,190,001 fully paid ordinary shares are held by 688 shareholders.

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

The number of shareholders, by size of holding, in each class are:

1 – 1,000	164
1,001 – 5,000	225
5,001 – 10,000	151
10,001 – 100,000	132
100,000 and over	<u>16</u>
	<b><u>688</u></b>

### (b) Substantial shareholders

Ordinary Shareholders	Fully Paid Number	Percentage
Well.com Pty Ltd	25,052,001	63.92%
Merrill Lynch (Australia)		
Nominees Pty Limited	1,500,000	3.83%
Mirrabooka Investments Limited	1,481,081	3.78%
Cogent Nominees Pty Limited	<u>1,395,545</u>	<u>3.56%</u>
	<b><u>29,428,627</u></b>	<b><u>75.09%</u></b>

## ASX Additional Information (continued)

### (c) Twenty largest holders of quoted equity securities

Ordinary Shareholders	Fully Paid Number	Percentage
Well.com Pty Ltd	25,052,001	63.92%
Merrill Lynch (Australia) Nominees Pty Limited	1,500,000	3.83%
Mirrabooka Investments Limited	1,481,081	3.78%
Cogent Nominees Pty Limited	1,395,545	3.56%
ANZ Nominees Limited	780,374	1.99%
Invia Custodian Pty Limited	772,990	1.97%
RBC Dexia Investor Services Australia Nominees Pty Limited	465,000	1.18%
Berne No 132 Nominees Pty Limited	400,000	1.02%
Thorney Investments Pty Ltd	400,000	1.02%
Melinda Karen Tickel	200,000	.05%
Growth Equities Accumulation Limited	185,268	.05%
Gang –Gang Pty Ltd	155,000	.04%
Erik Adriaanse	150,000	.04%
Wayne William Sidwell	148,000	.04%
Somers View Pty Ltd	130,000	.03%
Moggs Creek Pty Ltd	109,328	.03%
Mark McInnes	100,000	.02%
Fiona Leanne Power	100,000	.02%
Michael Bettridge	100,000	.02%
Andrew William Sidwell	100,000	.02%
	<b>33,724,587</b>	<b>82.63%</b>