



## **Chairman's Report**

Welcome one and all.

This is Wellcom's first year as a publicly listed company and it's our first presentation of annual results.

In our view, it has been an excellent first year.

Although not in the public arena in 2005, we have drawn financial and other comparisons to demonstrate significant growth from 2005 to 2006 and will present these today.

I won't dwell on the figures as these are comprehensively covered later, but the highlights read like this:

- Revenue up 11%.
- EBIT up 27%.
- NPAT up 40%.

These are exciting and challenging times.

Exciting, because strategic development sets the direction of the business moving forward, and challenging, because the direction taken will deliver on the promised result.

To achieve the right direction and deliver on it, Wellcom's senior management has focused considerable time on what this direction should and will be.

To add weight to this input, all senior managers have participated in an off site strategic planning forum and the result has been a business plan and a commitment to deliver.

I will also outline some significant strategies already put in place in 2006 that will become the foundation stones for Wellcom moving into 2007 and beyond.

These include:

### **1. Sustainability of principal accounts**

Most of Wellcoms' major accounts were to be re-contracted in 2006-2007 financial year.

And, it is with a sense of pride that I announce all are re-contracted.

- Woolworths
- Harris Scarfe
- David Jones
- Toys "R" Us

### **2. Growth from existing clients**

Organic growth from our existing client base has been achieved. (Toys "R" Us/A.P.I.)

### **3. New business**

Significant and high profile new business has been brought online. We promised this and the the results speaks for themselves.

- Dick Smith Electronics
- A.P.I (Priceline)
- Pac Brands; and
- Transurban

### **4. Synergistic acquisition**

We looked for synergistic acquisition as a primary foundation stone.

The benefits of this strategy are significant.

Firstly it reduces risk when buying or setting up new companies as we already understand the industry and the dynamics governing success.

Secondly, each of the enterprises is in harmony with current Wellcom core business and is in fact a logical extension in the Wellcom roadmap of products and services.

Thirdly, current Wellcom representatives and Facilities Management sites can direct and cross-sell into these entities without additional training.

Finally, Wellcom technologies and infrastructure will add considerable assistance to each enterprise.

Wellcom has identified computer to plate services as a significant market prospect that immediately fits into and adds value to our range of products and services.

Wellcom is delighted to announce the acquisition of the Digital House. We took this opportunity to gain a leadership position in the premium computer to plate market. This business is a significant operation and a fine acquisition to the Wellcom fold.

The new CTP service sits at the backend of Wellcom's traditional service offering.

This means that Wellcom can offer an even greater turnkey product offering.

Wellcom has also identified audio visual post production as a further and logical extension to core business as video enters the digital arena.

Wellcom has purchased an Adelaide Audio Visual Post Production company, EditCo, and now secured the services of leading Sydney TV producer Rob Lowry.

## **5. New products and services**

The hottest growth corridor in the print market is the combination of short run digital print technology and customised data addressed collateral.

Wellcom has identified the need and moved quickly to offer a highly competitive product offering for 2007.

Data management will become another digital repository in the Wellcom arsenal of services.

Therefore, Wellcom has purchased the very latest HP Indigo 5000 press and placed it here in our state-of-the-art facility at Lorimer Street Port Melbourne.

Again current Wellcom account representatives can upsell this service without any additional training or induction process.

## **6. Technology update**

Our proprietary software master plan has been completed.

Our Knowledgewell product has been six years in the making, it has undergone many iterations to reach the point where it is today.

I'm extremely proud of the work completed to date.

Wellcom software leads not only the graphic arts industry but most aligned industries in terms of functionality and usability.

This reduces process and labour to offer better margin for Wellcom and lower cost to clients.

## **7. Offshore growth**

We have been steadily and painstakingly exploring many options in several Asian markets. This has been (and still is) a priority for us.

Due diligence and scrutiny remains the order of the day.

Ongoing dialogue to determine best venture partner in several product and services categories.

Wellcom holds the technology and I.P platform that Asia wants.

Asia holds the market penetration that Wellcom is looking for. One that will add long term shareholder value.

Offshore is exciting and the challenge remains in finding the right partnership, the right fit and in the right market.

You will hear more on this in 2007.

**And so it is / we now look to 2007.**

Wellcom's core business has been primarily:

- total facilities management
- artwork creation
- online catalogue creation
- pre media services
- digital repositories and libraries
- digital image enhancement
- digital transmission
- digital photography
- digital proofing
- online approval
- print management

These services have been utilised by retail, direct corporate and advertising agencies alike.

For 2007 we also focus on the new areas of:

- digital short run reproduction and data print
- computer to plate
- digital audio visual post production.

All in all an even better more rounded service offering that will keep Wellcom on the high ground for 2007.

By market sector this is how we view 2007.

**Retail**

We are focused on turnkey solutions in product and service offerings TFMs or Total Facilities Management.

Retail presents many opportunities for Wellcom.

Wellcom is working closely with other blue chip retailers and joint venture partners to create opportunities for future development.

Two large accounts evolved from of our trialling policy in 2006. (Pac Brands and Transurban)

Retail has been very strong in 2006.

Wellcom services larger commodity retailers. Competition and sales is principally managed through print advertising. This is Wellcom's core offering.

Should there be a softening in retail market demand, it doesn't typically equate to decreases in spend.

### **Corporate**

In the corporate business sector our success in contract renewals and new business lends significant weight to the power of our offering in Total Facilities Management.

The Wellcom philosophy is promoted through client trust and the reward is the upsell and cross sell of Wellcom products and services beyond those offered within the parameters of current client business.

For example computer to plate and short run digital printing.

Both the TFM business model and the underpinning technologies that support the model, convince clients of Wellcom's competitiveness and superiority.

### **Agencies**

The agency paradigm has shifted significantly in the last few years.

Advertising agencies have acquired other agencies or amalgamated, and the number of larger agencies has dropped from around eight several years ago, to three or four major groups today.

### **iPrint**

Our print management arm is a 50:50 joint venture with Australia Post. It has enjoyed another strong year with steady new business growth.

Again the Wellcom technology platform has rolled out a superb suite of online tools for iPrint.

We are very pleased to announce the completion of the online print management system to further boost efficiencies and offer iPrint clients a new level of service offering.

**State operations**

Wellcom has enjoyed strong and consistent contributions from its state offices and it is a credit to the state managers for their assistance in both client retention and business growth.

**In summary** we have realised all our objectives from 2005 – 2006.

We have focused on managing costs.

We have focused on new business acquisition and only within related fields that we as a business understand and are experienced in.

We have focused on new technology print and purchased the best digital printing press in the Indigo 5000.

We have entered into a new phase of our technology. We don't rest. Technology doesn't stand still.

We continue to pursue further video post production and data stream offerings.

We can digitally send to all manner of receivers using our current technologies including streamed iPod programs.

iPod downloads have been proven to be the new market through iTunes and the ABC rollouts.

Our focus on offshore is ongoing and relentless.

Client acquisition and contract renewal has added strength to Wellcom as a company.

Our focus on new business is constant.

The core elements of our strategy have been well defined and will continue in 2007.

Wellcom mainstream business is performing very solidly in all states.

New business has already been secured for 2007 and the CTP operation is already a strong going concern.

We expect our new digital print venture will become a high profile and profitable contributor to bottom line.

We are extremely pleased with 2006 and look forward to an equally successful 2007.

Thankyou for your time today.