

Wellcom Group Limited

A.C.N 114 312 542

Financial report for the half-year ended 31 December 2007

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Directors' report

The directors of Wellcom Group Limited submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Mr W.W. Sidwell
Mr C.A. Anzarut

Mr K.B. Smith

Directors were in office for this entire period unless otherwise stated.

Principal activities

The principal activities of the consolidated entity during the period were artwork creation, pre-media services, online catalogue creation, digital asset management and transmission, photography, digital proofing, online approval, print management, and web, sheet and digital printing. These services are offered in a combination of in-house and total facilities managed hubs.

During the period pre-media services were commenced in the United Kingdom through the purchase of Keene Repro Ltd (Keenes) in October 2007.

Review of operations

Earnings per share increased by 39% to 12.080 cents (2006: 8.676 cents) and earnings per share excluding amortisation increased by 34% to 12.855 cents (2006: 9.595 cents).

The Group recorded an increase in total revenue of 98%, to \$39.87M (2006 \$20.18M). Operating profit before tax increased by 54% to \$6.90M (2006: \$4.49M).

Earnings before interest, depreciation and amortisation increased by 56% to \$9.32M (2006: \$5.98M)

The consolidated profit after tax and minorities increased by 39% to \$4.74M (2006: \$3.40M).

Operating cashflows increased by 54% to \$4.33M (2006: \$2.81M).

Notwithstanding the debt funded purchase of Keenes Repro Limited in October 2007, gearing (net debt to equity) was a modest 22.5% (2006: 13.7%) at the 31 December 2007 and interest cover in the half was 12 times (2006: 29 times).

The result for the six months reflects 24% growth in same business sales whilst maintaining margins, a better than expected contribution from Keenes, a 40% increase in the contribution from iPrint, a JV with Australia Post, and a small positive contribution from Cadillac Printing.

On the 1 October 2007 Wellcom purchased all of the shares in Keene Repro Limited, based in the UK, for consideration of \$9.70M in cash, \$303K of which is payable after the end of the half year. Keenes operates in the London premedia market with similar service offerings to the Wellcom premedia business.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 and forms part of the directors' report for the half-year ended 31 December 2007.

Dividends

The directors have declared to pay an interim dividend of 6.0 cents per share out of half year profits. The total interim dividend declared is \$2,351,400 and will be 100% franked. The record date for determining entitlements to the dividend is 11 March 2008. The payment date of the dividend will be 26 March 2008.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report have been rounded off to the nearest thousand dollars (\$'000), unless otherwise indicated.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'W. Sidwell', with a small dot at the end.

Wayne Sidwell

Director

Melbourne, 25th February, 2008

INDEPENDENT AUDITOR'S DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF WELLCOM GROUP LIMITED

We declare, to the best of our knowledge and belief, that during the half-year ended 31 December 2007 there have been:

- no contraventions of the auditor's independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable codes of professional conduct in relation to the review.

HLB Mann Judd

HLB Mann Judd

A handwritten signature in black ink, appearing to read 'D Nairn', with a horizontal line underneath.

David Nairn
Partner

25 February 2008
Melbourne

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF WELLCOM GROUP LIMITED**

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Wellcom Group Limited, which comprises the consolidated interim balance sheet as at 31 December 2007, income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Wellcom Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Wellcom Group Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

HLB Mann Judd

HLB Mann Judd

A handwritten signature in black ink, appearing to read 'D Nairn'.

David Nairn
Partner

25 February 2008
Melbourne

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company.

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

On behalf of the Directors



Wayne Sidwell
Director

Melbourne, 25th February, 2008

Consolidated income statement for the half-year ended 31 December 2007

		31 December 2007	31 December 2006
	Note	\$'000	\$'000
Revenue	4(a)	39,867	20,175
Cost of sales		(13,155)	(4,536)
Gross Profit		26,712	15,639
Other income	4(b)	249	472
Share of profits of associates and jointly controlled entities accounted for using the equity method		674	480
Marketing expenses		(165)	(104)
Occupancy expenses		(1,793)	(1,072)
Employee benefits expense	4(c)	(13,440)	(8,556)
Depreciation and amortisation expense	4(d)	(1,907)	(1,532)
Finance costs	4(e)	(613)	(162)
Consulting expenses		(77)	(59)
Other expenses		(2,738)	(614)
Profit from continuing operations before income tax expense		6,902	4,492
Income tax expense		(2,109)	(1,115)
Profit from continuing operations after income tax expense		4,793	3,377
(Profit)/Loss attributable to minority interests		(59)	23
Profit attributable to members of the parent entity		4,734	3,400
Earnings per share:			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:			
Basic (cents per share)		12.080	8.676
Diluted (cents per share)		12.080	8.676
Earnings per share from profit attributable to the ordinary equity holders of the parent:			
Basic (cents per share)		12.080	8.676
Diluted (cents per share)		12.080	8.676

The consolidated income statement is to be read in conjunction with the notes to the half-year financial statements included on pages 12 to 19.

Consolidated balance sheet as at 31 December 2007

	<u>Note</u>	As at 31 December 2007	As at 30 June 2007
		\$'000	\$'000
Current assets			
Cash and cash equivalents		4,972	2,145
Trade and other receivables		15,097	13,127
Inventories and WIP		3,111	2,782
Current tax assets		-	1
Other current assets		795	135
Total current assets		23,975	18,190
Non-current assets			
Investments accounted for using the equity method		4,388	3,714
Property, plant and equipment		13,084	13,092
Deferred tax assets		1,610	1,444
Goodwill		32,478	27,482
Other intangible assets		519	822
Other non-current assets		3	3
Total non-current assets		52,082	46,557
Total assets		76,057	64,747
Current liabilities			
Trade and other payables		7,379	6,507
Short term borrowings		9,932	1,273
Income tax payable		1,476	2,411
Provisions		2,993	2,369
Total current liabilities		21,780	12,560
Non-current liabilities			
Long term borrowings		5,695	6,064
Deferred tax liabilities		787	618
Provisions		347	367
Total non-current liabilities		6,829	7,049
Total liabilities		28,609	19,609
Net assets		47,448	45,138
Equity			
Equity attributable to equity holders of the parent			
Contributed equity		38,355	38,355
Retained earnings		7,707	5,456
Parent interests		46,062	43,811
Minority interest		1,386	1,327
Total equity		47,448	45,138

The consolidated balance sheet is to be read in conjunction with the notes to the half-year financial statements included on pages 12 to 19.

Consolidated statement of changes in equity for the half-year ended 31 December 2007

	Contributed equity	Retained earnings	Asset revaluation reserve	Total Equity
Note	\$'000	\$'000	\$'000	\$'000
At 1 July, 2007	38,355	5,456	-	43,811
Profit for the period – parent	-	4,734	-	4,734
Profit for the period - minority interests	-	59	-	59
Total recognised income and expense for the period	-	4,793	-	4,793
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(2,351)	-	(2,351)
Foreign Exchange Translation Reserve		(132)		(132)
Minority interest on acquisition of subsidiary	-	1,327	-	1,327
	-	(1,156)	-	(1,156)
At 31 December, 2007	38,355	9,093	-	47,448
Total equity attributable to equity holders of the parent	38,355	7,707	-	46,062
Amounts attributable to minority interests	-	1,386	-	1,386
	38,355	9,093	-	47,448

	Contributed equity	Retained earnings	Asset revaluation reserve	Total Equity
Note	\$'000	\$'000	\$'000	\$'000
At 1 July, 2006	38,355	3,551	-	41,906
Profit for the period – parent	-	3,400	-	3,400
Profit for the period - minority interests	-	(23)	-	(23)
Total recognised income and expense for the period	-	3,377	-	3,377
Transactions with equity holders in their capacity as equity holders:				
Dividends paid	-	(1,959)	-	(1,959)
Minority interest on acquisition of subsidiary	-	1,361	227	1,588
	-	(598)	227	(371)
At 31 December, 2006	38,355	6,330	227	44,912
Total equity attributable to equity holders of the parent	38,355	4,992	-	43,347
Amounts attributable to minority interests	-	1,338	227	1,565
	38,355	6,330	227	44,912

The consolidated statement of changes in equity is to be read in conjunction with the notes to the half-year financial statements included on pages 12 to 19.

Consolidated cash flow statement for the half-year ended 31 December 2007

	31 December 2007	31 December 2006
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	44,646	20,357
Payments to suppliers/employees (inclusive of GST)	(36,485)	(16,541)
Interest and other costs of finance paid	(613)	(110)
Income Tax Paid	(3,217)	(900)
Net cash provided by/(used in) operating activities	4,331	2,806
Cash flows from investing activities		
Interest received	97	194
Dividends received	-	500
Amounts advanced to related parties	-	23
Payment for property, plant and equipment	(1,051)	(1,259)
Payment for acquisition of businesses, net of cash acquired	(6,489)	(5,426)
Net cash provided by/(used in) investing activities	(7,443)	(5,968)
Cash flows from financing activities		
Related party loans (net)	(53)	-
Proceeds from borrowings	13,100	2,648
Repayment of borrowings	(4,757)	(2,398)
Dividends paid	(2,351)	(1,959)
Net cash provided by/(used in) financing activities	5,939	(1,709)
Net increase in cash and cash equivalents	2,827	(4,871)
Cash and cash equivalents at the beginning of the half-year	2,145	8,426
Cash and cash equivalents at the end of the half-year	4,972	3,555

The consolidated cash flow statement is to be read in conjunction with the notes to the half-year financial statements included on pages 12 to 19.

Notes to the financial statements for the half-year ended 31 December 2007

1 Corporate Information

The financial report of Wellcom Group Limited (the Company) for the half-year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 25 February 2008.

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

2. Summary of significant accounting policies

The half-year financial report does not include notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the company as the full financial report.

The half-year financial report should be read in conjunction with the annual financial report of Wellcom Group Limited as at 30 June 2007. The consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2007 is available upon request from the company's registered office at 870 Lorimer Street, Port Melbourne, Victoria 3207, Australia or at www.wellcom.com.au.

It is also recommended that the half-year financial report be considered together with any public announcements made by Wellcom Group Limited and its controlled entities during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of preparation

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, applicable Accounting Standards, including AASB 134 *Interim Financial Reporting*, and other mandatory professional reporting requirements.

The half year financial report has been prepared on a historical cost basis.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC class order 98/0100. The company is an entity to which the class order applies.

For the purpose of preparing the half-year financial report, the half year has been treated as a discrete reporting period.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2007, as described in Note 2(d).

(c) Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiaries as at 31 December 2007 (the consolidated entity).

The acquisition of Keene Repro Ltd on 1 October 2007 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 values of the assets acquired and the liabilities and contingent liabilities assumed at the date of acquisition. Accordingly, the half year consolidated financial statements include the results of Keene Repro Ltd for the period from its acquisition on 1 October 2007.

2. Summary of significant accounting policies (continued)

(d) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 *Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8.*

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 may result in a change in the approach to segment reporting, as it requires adoption of a management approach to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note for the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 *Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123* [AASB1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 2]

The revised AASB 123 is applicable to reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) Revised AASB 101 *Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of change in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made prior period adjustments or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

3. Segment Reporting

Primary reporting – geographical segments

The following table presents revenue and profit information for geographical segments for the half years ended 31 December 2007 and 31 December 2006

Half year ended 31 December 2007	Australia	United Kingdom	Total continuing operations
	\$'000	\$'000	\$'000
Segment revenue	35,992	3,875	39,867
Segment result	5,314	1,115	6,429
Joint venture revenue			674
Unallocated expenses:			
Amortisation of intangibles			(201)
Profit before income tax and minorities			6,902

Half year ended 31 December 2006	Australia	United Kingdom	Total continuing operations
	\$'000	\$'000	\$'000
Segment revenue	20,175	-	20,175
Segment result	4,272	-	4,272
Joint venture revenue			480
Unallocated expenses:			
Amortisation of intangibles			(260)
Profit before income tax and minorities			4,492

The consolidated entity operates predominately in the one business segment being pre-media, printing and data management.

4. Profit from Operations

	31 December 2007 \$'000	31 December 2006 \$'000
Revenue and expenses from operations		
(a) Revenue		
Revenue from the rendering of services	39,867	20,175
	39,867	20,175
(b) Other income		
Rental revenue	122	103
Interest revenue (bank deposits)	104	208
Other	23	161
	249	472
	40,116	20,647
(c) Employee benefits expense		
Salaries and wages	13,320	8,456
Fringe Benefits Tax	50	52
Staff amenities	70	48
	13,440	8,556
(d) Depreciation and amortisation expense		
Depreciation of non-current assets	1,603	1,172
Amortisation of non-current assets	304	360
	1,907	1,532
(e) Finance costs		
Interest on commercial bills	193	51
Other interest expenses	420	111
	613	162

5. Dividends Paid and Proposed

	31 December 2007 \$'000	31 December 2006 \$'000
(a) Dividends declared and paid during the half-year on ordinary shares:		
Final franked dividend for the 30 June 2007 financial year: 6 cents (2006: 5 cents)	2,351	1,960
(b) Dividends proposed and not yet recognised as a liability (Note 8)		
Interim franked dividend for the half-year ended 31 December 2007: 6 cents (2006: 5 cents)	2,351	1,960
	4,702	3,920

6. Contingent Liabilities and Contingent Assets

There are no contingent assets or liabilities of which the directors of the company are aware at the date of this report.

7. Capital Commitments

	31 December 2007	31 December 2006
	\$'000	\$'000
Not longer than one year	303	393
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
Total commitment for expenditure	303	393

At 31 December 2007 the Group had commitments of \$303K for the final payment for the acquisition of Keene Repro Ltd which was acquired on 1 October 2007 (paid on the 22nd January 2008).

8. Subsequent events

Subsequent to the end of the reporting period, the directors of Wellcom Group Limited declared an interim dividend of 6.0 cents per ordinary share. The total amount of the interim dividend is \$2.351M. The dividend will be 100% franked. The record date for determining entitlements to the dividend is the 11 March 2008. The dividend has not been provided for in the 31 December 2007 half-year financial statements.

Except for the declaration of the interim dividend mentioned above, there has not arisen in the interval between the end of the half year 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.

Since the end of the half year the company has acquired the business name and assets of Visualise Limited, based in Auckland, New Zealand. Visualise Limited provides pre-media and web construction and hosting services. The consideration was NZ \$50,000.

9. Business Combination

Half year ended 31 December 2007

Acquisition of Shares in Keene Repro Ltd

On 1 October 2007, Wellcom Group Limited acquired 100% of the shares in Keene Repro Ltd, a pre-media business, for a cash consideration of \$9.703M. The business is located in London, United Kingdom.

The consideration was paid in cash, with \$303K of the consideration payable subject to the movement in net assets over the period 1 July to 30 September 2007.

The initial accounting for the acquisition of Keene Repro Ltd has only been provisionally determined at reporting date.

The acquired business contributed revenues of \$3.87M and net profit of \$0.87M to the consolidated entity for the period from 1 October 2007 to 31 December 2007. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the half-year ended 31 December 2007 would have been \$43.097M and \$5.034M respectively, excluding the effect of the adjustments to reflect the fair value on acquisition.

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

	Book value \$'000	Fair value adjustment \$'000	Total fair value on acquisition \$'000
Net assets acquired			
Current assets:			
Cash and cash equivalents	3,099		3,099
Trade Receivables	2,585		2,585
Other current assets	92		92
Non-current assets:			
Property, plant & equipment	544		544
Other non current assets	461		461
Deferred tax assets	249		249
Current liabilities:			
Trade and other payables	(1,136)	(619)	(1,755)
Provisions	(440)		(440)
Non-current liabilities:			
Provisions			
	5,454	(619)	4,835
Goodwill arising on acquisition			5,065
Total cost arising on acquisition			9,900
Cost of the combination:			
Cash paid as consideration			9,400
Direct acquisition costs paid			189
Direct acquisition costs payable			8
Balance of consideration payable			303
Total cost of business combination			9,900
The cash outflow on acquisition is as follows:			
Net cash acquired with the subsidiary			3,099
Cash paid			(9,589)
Net cash outflow			6,489

9. Acquisition of Business (continued)

Half year ended 31 December 2006

Acquisition of Business and Assets of Imagesetter Pty Ltd (trading as Digital House)

On 1 September 2006, Wellcom Group Limited acquired the business and selected assets and liabilities of Imagesetter Pty Ltd (trading as Digital House), a pre-media, digital print and computer to plate business, for a cash consideration of \$2.3M. The business is located in Melbourne. The acquisition included trade names, plant and equipment, certain financial liabilities and employee leave provisions together with stock and work in progress (WIP).

The consideration was paid in cash, with \$300K of the consideration payable subject to certain performance hurdles measurable from the twelve months from completion.

The acquired business contributed revenues of \$1.43M and net profit of \$0.40M to the consolidated entity for the period from 1 September 2006 to 31 December 2006. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the half-year ended 31 December 2006 would have been \$20.97M and \$3.61M respectively.

Acquisition of Business and Assets of Image Studio and Design Pty Ltd (trading as Image Studios)

On 1 November 2006, Wellcom Group Limited acquired the business and selected assets and liabilities of Image Studio and Design Pty Ltd (trading as Image Studios), a pre-media, sheet fed printing and computer to plate business, for a cash consideration of \$350K. The business is located in Brisbane. The acquisition included trade names, plant and equipment, certain financial liabilities and employee leave provisions together with stock and WIP.

The consideration was paid in cash.

The acquired business contributed revenues of \$0.89M and net profit of \$0.03M to the consolidated entity for the period from 1 November 2006 to 31 December 2006. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the half-year ended 31 December 2006 would have been \$21.58M and \$3.33M respectively.

Acquisition of Shares in Kinkaid Pty Ltd (trading as Cadillac Printing)

On 14 December 2006, Wellcom Group Limited acquired 50% of the shares in Kinkaid Pty Ltd, (trading as Cadillac Printing), a web printing business, for a cash consideration of \$3.0M. The business is located in North Plympton, South Australia.

As the only other shareholder is associated with Wellcom Group Limited's major shareholder, it has been deemed that Wellcom Group Limited has effective control of the entity and has therefore consolidated the business of Cadillac Printing for accounting purposes.

The consideration was paid in cash, and also included the assumption of a vendor loan.

The acquired business contributed revenues of \$0.21M and net loss of \$0.05M to the consolidated entity for the period from 14 December 2006 to 31 December 2006. If the acquisition had occurred on 1 July 2006, consolidated revenue and consolidated profit for the half-year ended 31 December 2006 would have been \$28.64M and \$3.47M respectively.

9. Acquisition of Business (continued)

Half year ended 31 December 2006	Digital House			Image Studios			Cadillac Printing			Total fair value on acquisition \$'000
	Book value	Fair value adjustment	Fair value on acquisition	Book value	Fair value adjustment	Fair value on acquisition	Book value	Fair value adjustment	Fair value on acquisition	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Cash and cash equivalents	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	4,082	-	4,082	4,082
Inventories	27	-	27	41	-	41	2,448	-	2,448	2,516
Property plant and equipment	1,022	-	1,022	650	-	650	5,733	649	6,382	8,054
Intangible assets	-	-	-	-	-	-	-	-	-	-
Deferred tax assets	-	-	-	-	-	-	230	-	230	230
Other assets	-	-	-	-	-	-	79	-	79	79
Trade and other payables	-	-	-	-	-	-	(2,575)	-	(2,575)	(2,575)
Borrowings	(471)	-	(471)	(223)	-	(223)	(6,805)	-	(6,805)	(7,499)
Provisions	(77)	-	(77)	(249)	-	(249)	(485)	-	(485)	(811)
Deferred tax liabilities	-	-	-	-	-	-	16	(195)	(179)	(179)
Total	501	-	501	219	-	219	2,723	454	3,177	3,897
Minority interests			-			-			(1,588)	(1,588)
Fair value of identifiable net assets attributable to equity holders of the parent			501			219			1,589	2,309
Goodwill arising on acquisition			1,808			182			1,427	3,417
Total cost of business combination			2,309			401			3,016	5,726
Cost of the combination:										
Cash paid as consideration			2,000			391			3,000	5,391
Direct acquisition costs			9			10			16	35
Balance of consideration payable			300			-			-	300
Total cost of business combination			2,309			401			3,016	5,726
The cash outflow on acquisition is as follows:										
Cash paid as consideration			(2,000)			(391)			(3,000)	(5,391)
Direct acquisition costs			(9)			(10)			(16)	(35)
Net cash outflow			(2,009)			(401)			(3,016)	(5,426)