

# **Wellcom Group Limited**

A.C.N. 114 312 542

**Financial report for the year ended 30 June 2008**

# Annual financial report for the financial year ended 30 June 2008

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# Corporate Governance Statement

Wellcom Group Limited (“the Company”) and the board of directors are committed to achieving the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The Company and its controlled entities together are referred to as the consolidated entity in this statement.

The board is responsible to the shareholders for the performance of the consolidated entity and seeks to accommodate the key objectives of all stakeholders in its undertakings and operations. Where competing objectives do exist, the board endeavours to find a balance for the overall benefit and in the best interests of the consolidated entity. The primary focus is to ensure the consolidated entity is properly managed whilst continuing to enhance the interests of shareholders and key stakeholders.

The Company’s corporate governance policies and practices have been established with reference to the following Corporate Governance Council’s principles and recommendations.

- 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

A description of the company’s main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

## **Board of directors**

The board operates in accordance with the broad principles set out in its charter which is available from the corporate governance information section of the company website at [www.wellcom.com.au](http://www.wellcom.com.au). The Charter details the board’s composition and responsibilities.

## ***Role of the board***

The board’s role is to provide strategic guidance and effective oversight of management. It is ultimately accountable to shareholders for the management and direction of management and of the business of the Company and therefore, has ultimate authority over management.

In carrying out its role and exercising its powers, the board acts in accordance with the letter and spirit of the law and the Company’s Constitution. It acts honestly, fairly and with integrity in accordance with the Company’s policies, codes of conduct and ethical and other standards and in a manner which will create and develop sustainable value for shareholders. It has regard to the interests of the Company’s stakeholders, its employees, suppliers, customers or other stakeholders in the Company and the general community.

### ***Responsibilities of the board***

In performing its role, the board undertakes the responsibility for:

- the oversight of the Company, its business, activities, corporate governance and internal controls, including the development of its commercial, strategic and financial objectives and the monitoring of the implementation and execution of those objectives;
- the responsibilities of a nomination committee, including the composition of the board, including appointment and retirement or removal of directors and succession planning;
- the review and oversight of the operation of systems of risk management, internal compliance and control, codes of ethics and conduct, legal and regulatory compliance;
- the monitoring of senior management's performance and implementation of strategy, including ensuring appropriate resources are available;
- approval of major capital expenditure, capital management, acquisitions and divestitures and consequential monitoring of their progresses;
- performance of investment and treasury functions;
- monitoring industry developments relevant to the Company and its business;
- development of suitable key indicators of financial performance for the Company and its business;
- input into, and final approval of, management's development of corporate strategy and performance objectives;
- establishment and oversight of Committees to consider such matters as the board may consider appropriate, including audit matters, finance and business risks, remuneration and nominations and the establishment of a framework for the effective and efficient management of the Company; and
- any and all other matters reserved to it by law.

### ***Composition of the board***

The Company's corporate governance charter requires the board is to comply as far as practicable with the following requirements regarding its composition:

- the board must comprise members with a range of experience, expertise, skills and contacts relevant to the Company and its business;
- there must be at least three (3) directors appointed and in accordance with the Constitution of the Company which requires a minimum of three (3) and a maximum of seven (7) directors;
- the number of directors may be increased where the board considers that additional expertise is required in specific areas or when an outstanding candidate is identified.

### ***Board members***

The skills, experience, expertise, qualifications, term of office and independence status of each director in office at the date of the annual report is included in the directors' report.

At the date of the annual report there are three (3) directors, two (2) of which are non-executive directors with one (1) non-executive director considered to be independent.

The board seeks to ensure that its membership at any point in time represents an appropriate balance between directors with knowledge and experience of the Group and its businesses, and directors whom can provide an external or fresh perspective.

The size of the board is to remain at all times, conducive to effective discussion and efficient decision-making.

***Directors' independence***

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

The Company's corporate governance charter states an independent director will:

- be a non-executive Director;
- not be a substantial shareholder of the Company or an officer of or otherwise associated, directly or indirectly, with a substantial shareholder of the Company;
- not have, within the last three (3) years, been employed in an executive capacity by the Company or another group company, or have been a director after ceasing to hold any such employment;
- not be a principal of a professional advisor to the Company or another group company or an employee materially associated with the service provided, except where the advisor might be considered to be independent notwithstanding their position as a professional advisor due to the fact that the fees payable by the Company to the advisor's firm represent an immaterial component (less than 5%) of its overall revenue;
- not be a significant supplier or customer of the Company or another group company or an officer of or otherwise associated, directly or indirectly, with a material supplier or customer;
- not have a significant contractual relationship with the Company or another group company other than as a director;
- be free from any interest and any business or other relationship, which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The board regularly assesses the independence of each director in the light of the interests disclosed by them, and each director provides the board with all relevant information for this purpose.

The board considers that the concepts of "independence" and "conflicts" should be distinguished for the purposes of assessing the independence of a director.

Each member of the board is required to disclose any material contract or other relationship or personal interest in any matter that has a bearing to any degree on the business affairs or operations of the Company in accordance with the Corporations Act. In respect of any matters disclosed by a director which is an item of business for consideration by the board, that director must not be present while the matter is being considered or vote on that matter.

In the context of director independence, 'materiality' is considered from both the 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 director of the Company is considered to be independent:

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

***Chairman and Chief Executive Officer***

The Chairman of the board and Chief Executive Officer is responsible for:

- the provision of leadership to the board;
- planning and conducting board meetings ensuring that the board has full information on which to base its decisions on the business of the meeting;
- managing the periodic reviews of the performance of the board;
- briefing all directors in relation to issues at board meetings; and
- facilitating the effective contribution of all directors and promoting constructive and respectful relations between board members and management.

The Company's corporate governance charter does not require these roles to be undertaken by separate people.

***Independent professional advice***

The Company has initiated a set of procedures, agreed by the board, to enable directors to seek independent professional advice in the furtherance of their duties, at the expense of the Company. The chairman's approval is required prior to the commitment of Company funds, however such approval will not be unreasonably withheld.

***Term in office***

The Company Constitution requires at least one third of all directors, being the longest serving directors, retire at each annual general meeting of the Company. All directors, excluding the Chief Executive Officer, are also required to retire where a third annual general meeting falls during the period in which they have held office. Retiring directors are eligible to be re-elected.

The term in office held by each director in office at the date of this report is as follows:

<b>Name:</b>	<b>Term in Office:</b>
W.W. Sidwell	3 years
C.A. Anzarut	3 years
K.B. Smith	2 years

***Commitment***

The board held nine (9) meetings during the financial period. All meetings were held at operational sites of the Company or its controlled entities. Details of meetings held by the board of directors and of each board committee and the attendance at those meetings is disclosed in the directors' report.

The Company requires all non-executive directors to spend sufficient time during the year preparing for and attending board and committee meetings and associated activities.

The commitments of non-executive directors are considered prior to the director's appointment or re-appointment to the board of directors of the Company and are reviewed each year as part of the annual review process.

Each non-executive director is required to specifically acknowledge that they have and will continue to have the time available to fulfil their responsibilities to the Company prior to their appointment or being submitted for re-election.

### ***Corporate reporting***

The Chief Executive Officer and the Chief Financial Officer have made the following certifications to the board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and of the Group and are in accordance with the relevant accounting standards;
- that the above statement is founded on a sound system of risk management, internal compliance and control which implements the policies adopted by the board and that the Company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

### ***Board committees***

The board has established a number of committees to assist in the performance of its duties and to allow for detailed consideration of more complex issues where necessary. Current committees of the board consist of the audit committee and the remuneration committee. All three board members currently serve on the audit committee and two board members sit on the remuneration committee. Each committee structure and membership is reviewed on an annual basis.

#### ***Audit committee***

The board has established an audit committee, which operates under a charter adopted by the board, which is available on the Company's website.

It is the board's responsibility to ensure that an effective internal framework exists within the 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 the responsibility for establishing and maintaining a framework of internal control and ethical standards to the audit committee.

The audit committee was established for the entire financial period referred to in this financial report. There were two (2) audit committee meetings held during the year. Details of directors' attendance at these committee meetings are outlined in the directors' report.

The committee provides the board with additional assurance regarding the correctness and reliability of financial information prepared for use by the board and also for the integrity of the Company's internal controls affecting the preparation and provision of the financial information in determining policies or for inclusion in the financial report.

The Company's audit committee charter requires a minimum of three (3) directors be appointed to the audit committee, comprising of at least two (2) non-executive directors and be chaired by a director who is not Chairman of the board and is otherwise independent. A least one (1) member of the committee must have financial expertise (for example, a qualified accountant or other professional with financial and accounting experience) and at least one (1) member of the committee must have an understanding of the industry in which the Company operates. The Board will confirm membership of the committee each year.

The main responsibilities of the audit committee are:

- to monitor and make recommendations to the board on the effectiveness of the Company's external audit function;
- make recommendations to the board in regard to the scope of internal and external audit and the development of audit plans, the process for putting the external audit out to tender, the appointment of the external auditors, and report on any exception or qualifications reported or recommendations made by the external auditor in the auditor's opinion and management letter;
- directly oversee the external audit tender process, including at least two (2) of the members of the audit committee on the interview panel for the tender;

- review the form and content of representation letter/s provided by the external auditors and management representation letters provided to the external auditors;
- monitor implementation of any actions required by the board to be taken by management to address any exceptions or qualifications reported and recommendations made by the external auditor;
- liaise with the external auditors, including at least two (2) meetings each year with the auditors. A portion of those meetings, dealing with the preparation of the audited accounts of the Company, should take place in the absence of all management.
- review and make recommendations to the board in relation to accounting policies or required changes to the major accounting policies of the Company;
- monitor compliance by management with all approved accounting policies of the Company;
- monitor the effectiveness of the Company's risk and compliance internal controls and systems and make recommendations to the board when necessary;
- regularly consider and monitor the Company's exposure to significant risks, and make recommendations to the board in respect of such monitoring findings, including strategic and operational improvements in risk management planning and implementation and insurance strategies;
- oversee the development by management of risk management plans and make recommendations to the board;
- monitor the implementation of approved risk management plans throughout the Company;
- monitor compliance with relevant legislative and regulatory requirements (including continuous disclosure obligations) and declarations by management in relation to those requirements;
- ensure completion of the Company's annual corporate governance statement for inclusion in the annual report of the Company, as required by ASX Good Governance Principles;
- evaluate the adequacy and effectiveness of the internal financial and other controls used by the Company to ensure the accuracy and integrity of all information provided to the board and to others outside the Company.

The committee will regulate itself consistently with the rule set out in the Company's corporate governance charter and under the principles and procedures of the audit committee charter.

The members of the audit committee for the entire year were:

K.B. Smith (committee chairman)

C.A. Anzarut

W.W. Sidwell

*Qualifications of audit committee members*

K.B. Smith, chairman of the Audit Committee, has been a Chartered Accountant for 29 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***

The board has established a remuneration committee, which operates under a charter adopted by the board, a copy of which is available on the Company website.

It is the company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive management team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of the executive directors' and officers' emoluments to the 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.

The remuneration committee was established for the entire financial period referred to in this financial report. There has been one (1) remuneration committee meeting held during the year. Details of directors' attendance at these committee meetings are outlined in the directors' report.

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

C.A. Anzarut (committee chairman)  
W.W Sidwell

### ***Continuous disclosure and shareholder communication***

The Company has developed a set of policies, approved by the board, to ensure the market is fully informed of its strategy and financial performance. The Company seeks to achieve this by providing equal access to information for all investors and avoiding the disclosure of material information to any person on a selective basis.

Disclosable price sensitive information must be disclosed to ASX prior to disclosure to analysts, the media or others outside the Company to ensure equal access to information and following confirmation of receipt of lodgement, all information released to ASX will be available on or through the Company's website.

Except for certain confidential information that no reasonable person would expect to be disclosed, once the Company becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's securities, it will immediately tell ASX that information. Continuous disclosure obligations are reviewed as a standing item on the agenda for each regular meeting of the board and all directors are required to confirm details of any matter within their knowledge that might require disclosure to the market.

The Company communicates regularly with shareholders through:

- its full annual report, which the Company sends to all shareholders in hard copy unless they have elected to receive it by electronic copy or not at all;
- its annual general meeting, at which shareholders are updated on the Company's performance and outlook. All shareholders are given the opportunity to ask questions of the board and of the auditor, who is invited to the meeting, about the audit;
- Company announcements published with the ASX, and on its website;
- release of the annual results in August each year and the interim results in February;
- market briefings where unexpected events occur during the year or to ensure the market is clear about the Company's strategy, business and outlook. No new materially price sensitive information will be provided at these briefings. Questions at briefings that deal with material information not previously disclosed will

not be answered. All inadvertent disclosure of material information during market briefings should be immediately released to ASX.

Only the chairman or a person authorised by the Chairman is authorised to make any public statement or announcement on behalf of the Company.

The Company does not comment on rumours or market speculation, subject to the continuous disclosure rules.

All proposed media releases and external presentations are reviewed by the Company Secretary in advance to ensure the continuous disclosure requirements are met at all times. The Company Secretary is also responsible for all communications with ASX.

### ***Code of conduct***

The Company has developed a code of conduct which has been endorsed by the board and applies to all directors and officers of the Company. Full details of the code of conduct are available on the Company's website.

The objective of the code is to guide behaviour, enhance investor confidence in the Company and demonstrate the commitment of the Company to its ethical standards and practices.

All directors and officers of the Company must act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company and the Group and to act in accordance with the interests of shareholders, staff, clients and all other stakeholders in the Company.

In making decisions on behalf of the Company, directors and officers will respect and have regard to the bona fide interests of legitimate stakeholders in the Company, including its shareholders, employees, customers, clients, partners and suppliers.

The Company will not knowingly infringe the legal rights of legitimate stakeholders, and will take reasonable steps to minimise the risk of doing so unintentionally.

Officers must act fairly and honestly in all their dealings with and for the Company. Business relationships must be maintained in a way which is consistent with the principles of respect for others and fairness.

The Company maintains a position of impartiality with respect to party politics. Accordingly, the Company does not contribute funds to any political party, politician or candidate for public office.

The Company does not prohibit officers from making personal political contributions but they should not use their role with the Company for political interests at any time.

### ***ASX Corporate Governance Council Best Practice Recommendations & Disclosures –Compliance***

The Company complies, and has complied with the best practice recommendations of the ASX Corporate Governance Council for the whole of the financial year, with the exception of those items listed below:

- a) The Company's board consists of three directors, two of whom are considered non-executive and one of whom is considered independent. Best practice recommends that the majority of the board should be independent directors.
- b) The Chairman and Chief Executive Officer roles are performed by the same person. Best practice recommends that the roles not be exercised by the same person, and that the Chairman be an independent director.
- c) The Audit Committee consists of the three members of the board. The committee is chaired by an independent non-executive director. As the committee has the same composition as the board, it does not meet best practice guidelines of having only non-executive directors or a majority of independent directors.

These exceptions listed above were for the whole of the financial year. The exceptions are due to the majority of the board not being independent directors, the chairman not being an independent and also performing the role of CEO. The board believes that notwithstanding this, the board (and audit committee) is able to, and does, make quality, independent judgements with integrity, in the best interests of the Company and its shareholders, on all relevant issues. The directors of the board are also able to obtain independent advice at the expense of the Company. The board believes the chairman is capable of providing quality, independent judgement to all relevant issues falling within the scope of his role, notwithstanding the dual role.

The board believes that the current composition of the board provides the Company with an appropriate mix of experience in commercial operations, law and finance to allow it to perform its duties whilst at the same time giving the board the flexibility afforded to a smaller group of directors. The board is cognisant of its responsibilities in regards to succession planning and board experience as the company grows and expands its operations.

# Directors' Report

The directors of Wellcom Group Limited (the Company) submit herewith the annual financial report of the consolidated entity, consisting of the Company and the entities it controlled at the end of or during the year ended 30 June 2008.

## DIRECTORS

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

### **W.W. Sidwell** (Executive chairman)

Wayne William Sidwell was the founder and managing director of the original Wellcom business, established in 2000 and acquired by the Company from Well.com Pty Ltd in 2005. Wayne has in excess of thirty five (35) years experience in the pre-media industry and currently serves on both the Audit and Remuneration committees in addition to serving on the board of a number of private companies.

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

Charles Arthur Anzarut combines his work as a practicing solicitor with his role as a non-executive director of the Company. Charles joined Wellcom Group Limited upon its inception in May 2005 and presently serves on both the Audit and Remuneration committees.

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

Kerry Brian Smith is chairman of the company's Audit committee. Kerry has also served as a director of listed company SMS Management & Technology Limited since 20 December 2004.

## COMPANY SECRETARY

### **L.J. Graham** (Company Secretary)

Leonard Julian Graham was appointed as Company Secretary on 19 March 2007. Julian was also appointed Chief Financial Officer of the consolidated entity on 1 November 2006. Julian has over twenty (20) years experience in the manufacturing, software and pre-media industries. He is an associate of CPA Australia.

## Interests in the shares of the company

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

	<b>Number of Shares</b>
W.W. Sidwell	25,200,001*
C.A. Anzarut	20,000*
K.B Smith	-

\* All interests in Company securities held by the above directors were ordinary shares.

## DIVIDENDS

Dividends paid to shareholders during the financial year were as follows:

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2007 of 6 cents per fully paid ordinary share paid on 4 October 2007 (2006: 5 cents)	2,351	1,959.5
Interim dividend for the half year ended 31 December 2007 of 6 cents per fully paid ordinary shares paid on 26 March 2008 (2007: 5 cents)	2,351	1,959.5
	4,702	3,919.0

In addition to the above dividends, since the end of the financial year, the directors have recommended to pay a final dividend for the year ended 30 June 2008 of 7 cents per fully paid ordinary share. The dividend was declared on 22 August 2008, with a record date of 12 September 2008, to be paid on 24 September 2008 out of retained profits at 30 June 2008. The dividend will be fully franked.

## PRINCIPAL ACTIVITIES

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

The provision of premedia and data management services in Australia, United Kingdom and New Zealand encompassing the following services:

- Premedia Services
- Design, Artwork & Retouching
- Data and Facilities Management
- Digital Photography
- Television Production
- Digital Print
- Computer to Plate (CTP) Production, and

The provision of web offset printing services in Australia.

## OPERATING AND FINANCIAL REVIEW

### Overview

The continued organic growth of the Australian operations together with the positive earnings impact of the purchase of Keene Repro Limited (United Kingdom) and Visualise Limited (New Zealand) has contributed to a 47% increase in sales to \$77.86m, a 37% increase in earnings before interest, tax and depreciation (EBITDA) to \$16.05m, a 48% increase in earnings before interest and tax (EBIT) to \$12.02m and a 35% increase in net profit after tax (NPAT) to \$7.86m, with a corresponding increase in earnings per share (EPS).

### Operating results for the year

#### Revenue

Operating sales revenue was \$77.86m, an increase of 47% over the previous financial period (2007: \$53.14m). Sales increased by 9% due to organic growth, with the first time inclusion of Keene Repro Limited and Visualise Limited contributing \$9.18m and \$0.31m in sales respectively. The full year contribution of Kinkaid Pty Ltd (Cadillac Printing) contributed the balance. Underlying margins were maintained.

#### Profit and Loss

Total EBIT increased by 48% to \$12.02m primarily due to the increase in sales and the maintenance of margins. The EBIT increase was achieved after a 14% increase in depreciation and amortisation charge. Cash costs and productivity are focussed on consistently.

EBITDA increased by 37% to \$16.05m for the period.

NPAT increased by 35% to \$7.86m for the period, with the lower growth rate reflecting higher funding costs associated with the purchase of Keene Repro Limited. The tax rate remained steady at 29%.

Debtors days sales outstanding as at 30 June 2008 was 51 days (2007: 53 days).

Capital expenditure excluding business purchases for the period was \$2.02m (2007:\$3.64m).

### Shareholder returns

The Company is pleased to report that return to shareholders, both through dividends and capital growth, continues to reflect the strength and stability of the business.

Our financial measures for the financial period are:

	<b>2008</b>	<b>2007</b>
Basic earnings per share (cents)	20.05	14.86
Earnings per share excluding intangible amortisation (cents)	21.60	16.70
Return on net assets (%)	16.64	12.90
Return on net assets excluding goodwill & intangibles (%)	52.22	34.60
Dividend payout ratio (%)	64.83	74.01

### Liquidity and financial condition

The company has registered a strong improvement in net operational cash flow which, at \$10.5m, represents a 47% increase over the previous financial year. Over the course of the year Wellcom has moved to a net debt position of approximately \$6.98m (2007: \$5.19 m), the increase reflecting the consideration paid for Keene Repro Limited and an increase in inventories at Cadillac Printing, offset by operating cashflow. Year end gearing (net debt : equity) of 14.8% provides flexibility to pursue opportunities that may arise. Free cashflow (operating cashflow, plus joint venture dividends, less property, plant and equipment capital expenditure) has increased to \$9.51m (2007: \$4.51m).

The Group has \$16m of unused facilities as at 30 June 2008.

### Profile of Debts

The consolidated entity's unused debt finance at the end of the financial period is as follows:

#### Profile of debts

	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Current		
Bank overdraft	246	-
Obligations under finance lease	176	324
Obligations under hire purchase contract	653	856
Commercial Bills	3,970	-
Other loans	101	93
	<u>5,146</u>	<u>1,273</u>
Non Current		
Obligations under hire purchase contract	4,694	5,343
Other loans	628	721
	<u>5,322</u>	<u>6,064</u>
Total	<u>10,468</u>	<u>7,337</u>

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs since balance date.

## SIGNIFICANT EVENTS AFTER BALANCE DATE

The directors of Wellcom Group Limited declared a final dividend on ordinary shares in respect of the 2008 financial year on 22 August 2008. The total amount of the dividend is \$2.743m which represents a fully franked dividend of 7 cents per share. The dividend has not been provided for in the 30 June 2008 financial statements.

No other significant events have occurred after balance date to the date of this report.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The operating results of businesses, and interests in businesses acquired by the consolidated group during the financial year ended 30 June 2008, are expected to complement the Group's already strong client base and provide for the continued growth in results in the 2009 financial year.

## 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

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

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Wellcom Group Limited paid a premium of \$40,602 to insure the directors and secretary of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

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

## DIRECTORS' MEETINGS

The number of meetings of directors held during the year ended 30 June 2008 and the number of meetings attended by each director during that period were as follows:

	Directors		Committee Meetings			
	Meetings		Audit		Remuneration	
	DM*	A*	CM*	A*	CM*	A*
Number of meetings held during the financial period:	9		2		1	
W.W. Sidwell	9	9	2	2	1	1
C.A. Anzarut	9	9	2	2	1	1
K.B. Smith	9	9	2	2	*	*

DM\* Number of meetings held during the period which the director held office

CM\* Number of meetings held during the period the director was a member of the relevant committee

A\* Number of meetings attended during the period

\* Not a member of the relevant committee

## **REMUNERATION REPORT (AUDITED)**

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

### **Remuneration philosophy**

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

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

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

- Competitiveness to ensure retention of high calibre executives
- Reasonableness, fairness and consideration of market guidelines
- Appropriateness of performance criteria linked to variable executive remuneration
- Established relationship between executive rewards and increased shareholder value
- Transparency and shareholder approval of compensation arrangements

### **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. During the financial period, each non-executive director received a set fee for being a director of the Company, pro-rated where a director acted in a non-executive capacity for only part of the financial period. The fee level was determined by the board upon its inception in May 2005 and was subsequently reviewed on 29 January 2008 taking effect from 1 January 2008.

The non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs. Details of the remuneration of non-executive directors for the year ended 30 June 2008 and 30 June 2007 are set out in table 1 and 2 respectively.

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

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

The Company seeks to set remuneration for key management personnel at a level commensurate with their position within the Company and the inherent responsibilities therein.

Remuneration is reviewed annually by the remuneration committee which reports to the full board. The remuneration committee conducts a review of Group-wide data, state unit and individual performance, relevant comparative market and internal remuneration and shareholder returns.

**Structure**

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

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

The key management personnel of Wellcom Group Limited and of the consolidated group were the directors and those executives that report directly to the Chief Executive Officer being:

W.W. Sidwell, Executive Director and Chief Executive Officer  
S. Rees, Chief Operating Officer  
L.J. Graham, Company Secretary and Chief Financial Officer  
M. Bettridge, New Business Development and Strategy  
M. Parker, General Manager Victoria  
J. Keene, Managing Director United Kingdom  
C. Bevan, General Manager New South Wales

The above noted personnel include the 5 highest remunerated personnel within the Group and/or Company.

Details of the remuneration of key management personnel and other executives of the Company and Group for the year ended 30 June 2008 are set out in the table below (Table 1).

**Table 1**

Name	Short term employee benefits			Post Employment Benefits	Total \$'000
	Cash Salary \$'000	Cash Bonus \$'000	Non-cash Benefits \$'000	Super-annuation \$'000	
<i>Non-executive directors</i>					
C.A. Anzarut	43	-	-	20	63
K.B. Smith	10	-	-	50	60
<b>Sub-total non-executive directors</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>123</b>
<i>Executive directors</i>					
W.W. Sidwell <sup>^</sup> #	172	-	78	100	350
<i>Other key management personnel</i>					
S. Rees <sup>^</sup> #	163	40	-	37	240
L.J. Graham <sup>^</sup> #	147	40	-	50	237
M. Bettridge <sup>^</sup> #	177	36	47	13	273
M. Parker <sup>^</sup>	151	20	36	13	220
J. Keene <sup>#</sup>	197	50	18	13	278
C. Bevan	113	12	25	10	160
<b>Total key management personnel compensation</b>	<b>1,173</b>	<b>198</b>	<b>204</b>	<b>306</b>	<b>1,881</b>

<sup>^</sup> Denotes one of the five (5) highest paid executives of the Company, as required by the Corporations Act 2001.

<sup>#</sup> Denotes one of the five (5) highest paid executives of the Group, as required by the Corporations Act 2001.

Details of the remuneration of key management personnel and other executives of the Company and Group for the year ended 30 June 2007 are set out in the table below (Table 2).

**Table 2**

Name	Short term employee benefits			Post Employment Benefits	Total \$'000
	Cash Salary \$'000	Cash Bonus \$'000	Non-cash Benefits \$'000	Super-annuation \$'000	
<i>Non-executive directors</i>					
C.A. Anzarut	30	-	-	20	50
K.B. Smith	-	-	-	50	50
K.R. Romanin*	9	-	11	1	21
<b>Sub-total non-executive directors</b>	<b>39</b>	<b>-</b>	<b>11</b>	<b>71</b>	<b>121</b>
<i>Executive directors</i>					
W.W. Sidwell^#	212	-	71	67	350
K.R. Romanin**	73	-	6	6	85
<i>Other key management personnel</i>					
S. Rees^#	166	20	-	34	220
L.J. Graham^#	114	18	-	30	162
M. Bettridge^#	162	20	44	13	239
M. Parker^#	135	-	25	40	200
<b>Total key management personnel compensation</b>	<b>901</b>	<b>58</b>	<b>157</b>	<b>261</b>	<b>1,377</b>

\* K.R. Romanin acted as a non-executive director during the period 25 October 2006 until 19 March 2007.

\*\*K.R. Romanin resigned as a company director on 19 March 2007. Amounts shown above include Ms Romanin's remuneration as an executive director during the period 1 July 2006 to 24 October 2006 and as a Special Projects Officer for the company following her cessation as a director. Amounts received during her period as an executive director totalled \$58,416, comprising cash salary \$54,284 and superannuation \$4,132.

^Denotes one of the five (5) highest paid executives of the Company, as required by the Corporations Act 2001.

# Denotes one of the five (5) highest paid executives of the Group, as required by the Corporations Act 2001.

### Employment Contracts

#### *W.W. Sidwell*

The Executive Chairman and Chief Executive Officer, Mr Sidwell is employed under contract by Wellcom Group Limited. The current employment contract commenced on 1 July 2005 and terminates on 30 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 12 months written notice. Where such notice is provided by either Mr Sidwell or the Company, the Company may request Mr Sidwell refrain from performing his duties for the duration of the notice period and provide payment in lieu of the notice period.
- The Company may terminate the contract without notice if serious misconduct has occurred.

#### *Other executives*

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

- All executives receive fixed remuneration inclusive of superannuation and other benefits, including motor vehicle benefits.
- Either the executive or the Company may terminate their contracts with notice periods ranging from three (3) months to twelve (12) months. 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.

*Management Incentive Scheme*

A management incentive plan has been initiated by the board for key management personnel.

- Key management personnel shall be entitled to an amount equal to up to 30% of their total remuneration package as at the beginning of the financial period. This is calculated on the achievement of several performance criteria including: (1) the overall performance of the Group; (2) the performance of individual responsibility centres; and (3) the performance of associated businesses.
- The incentive shall be paid by way of either cash or shares, the method of payment at the entire discretion of the board
- Any incentive payment due shall be paid in the month following the release of the full year's results for the Group to the ASX in relation to the financial period.

The following management incentives are expected to be paid on 30 September 2008 in relation to the year ended 30 June 2008:

Year ended 30 June 2008	Remuneration package 1 July 2008 \$'000	Performance criteria 1 (10%) \$'000	Performance criteria 2 (10%) \$'000	Performance criteria 3 (10%) \$'000	Total incentive paid \$'000
<b>Key management personnel</b>					
S. Rees	200	-	20	20	40
L.J. Graham	200	-	20	20	40
M. Bettridge	240	-	24	12	36
M. Parker	200	-	-	20	20
J. Keene	249	25	25	-	50
C. Bevan	150	-	12	-	12
	1,239	25	101	72	198

The following management incentives were paid on 30 September 2007 in relation to the year ended 30 June 2007:

Year ended 30 June 2007	Remuneration package 1 July 2007 \$'000	Performance criteria 1 (10%) \$'000	Performance criteria 2 (10%) \$'000	Total incentive paid \$'000
<b>Key management personnel</b>				
S. Rees	200	-	20	20
L.J. Graham	180	-	18	18
M. Bettridge	200	-	20	20
M. Parker	200	-	-	-
	780	-	58	58

## **LOANS TO/FROM DIRECTORS AND EXECUTIVES**

Information on loans to directors and executives, including amounts, interest rates and repayment terms are set out in note 29 to the financial statements.

## **AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

A copy of the auditor's independence declaration as required under section 307c of the Corporations Act 2001 is included on page 20 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 OF AMOUNTS**

The amounts contained in this report and in the financial report have been rounded to the nearest thousand (\$'000) dollars, 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.

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, 22 August 2008



Accountants | Business and Financial Advisers

**Auditor’s Independence Declaration to the Directors of Wellcom Group Limited**

In relation to our audit of the financial report of Wellcom Group Limited (“Wellcom”) for the financial year ended 30 June 2008 (“the audit”), I declare that, to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporation Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

*HLB Mann Judd*

**HLB Mann Judd**

**DAVID NAIRN**  
Partner

Melbourne  
22 August 2008

**HLB Mann Judd (VIC Partnership)**

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HLB Mann Judd (VIC Partnership) Pty Ltd is a member of HLB Group, a world-wide organization of planning, tax and business advisors.

## Independent auditor's report to the members of Wellcom Group Limited

### Report on the Financial Report

We have audited the accompanying financial report of Wellcom Group Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Wellcom Group Limited (the company) and Wellcom Group Limited and its subsidiaries (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

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

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising of the financial statements and notes, complies with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the effectiveness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

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

*Auditor's Opinion on the Financial Report*

In our opinion:

- a) the financial report of Wellcom Group Limited is in accordance with the *Corporations Act 2001*, including:
  - i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(b).

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 18 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion on the Remuneration Report*

In our opinion the Remuneration Report of Wellcom Group Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



**HLB MANN JUDD**



**DAVID NAIRN**  
Partner

Melbourne  
22 August 2008

## 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 Group are in accordance with the Corporations Act 2001, including:
  - i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2008 and of their performance for the financial year ended on that date; and
  - ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; 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; and
- (c) the remuneration disclosures set out on pages 15 to 18 of the directors' report comply with Accounting Standards AASB 124 Related Party Disclosures and the Corporations Regulations 2001.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

On behalf of the board



W.W Sidwell  
Director

Melbourne, 22 August 2008

# Income Statement

## for the financial year ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Continuing operations</b>					
Revenue	3(a)	77,856	53,137	48,368	43,840
Cost of sales		(25,618)	(17,385)	(12,303)	(12,051)
		52,238	35,752	36,065	31,789
Other income	3(b)	507	765	651	747
Share of profits of associates and jointly controlled entities accounted for using the equity method	10	1,112	884	1,112	884
Marketing expenses		(285)	(196)	(149)	(179)
Occupancy expenses		(4,218)	(2,295)	(2,528)	(2,109)
Employee benefits expense	3(c)	(28,747)	(20,147)	(19,605)	(17,694)
Depreciation, amortisation & impairment	3(d)	(4,033)	(3,530)	(3,318)	(3,149)
Finance costs	3(e)	(1,223)	(593)	(720)	(343)
Consulting expenses		(171)	(84)	(171)	(84)
Other expenses		(4,176)	(2,677)	(1,688)	(1,225)
<b>Profit before income tax expense</b>		11,004	7,879	9,649	8,637
Income tax expense	4(a)	(3,230)	(2,317)	(2,658)	(2,516)
<b>Profit from continuing operations</b>		7,774	5,562	6,991	6,121
<b>Loss attributable to minority interests</b>		84	262	-	-
<b>Profit attributable to members of the parent entity</b>		7,858	5,824	6,991	6,121
<b>Earnings per share:</b>					
Basic (cents per share)	23(a)	20.05	14.86		
Diluted (cents per share)	23(b)	20.05	14.86		

Notes to the financial statements are included on pages 28 to 82.

## Balance Sheet as at 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Current assets</b>					
Cash and cash equivalents	5(a)	3,484	2,145	1,965	1,687
Trade and other receivables	7	13,070	13,127	8,085	10,501
Current tax assets	4(c)	-	1	-	-
Inventories	8	4,674	2,782	620	508
Other current assets	9	604	135	206	91
<b>Total current assets</b>		<b>21,832</b>	<b>18,190</b>	<b>10,876</b>	<b>12,787</b>
<b>Non-current assets</b>					
Investments accounted for using the equity method	10	3,825	3,714	3,825	3,714
Other non-current financial assets	11	-	-	9,986	3,217
Property, plant and equipment	12	12,301	13,092	5,005	5,882
Deferred tax assets	4(d)	1,673	1,444	1,007	995
Goodwill	13	31,946	27,482	25,939	26,006
Other intangible assets	14	217	822	217	814
Other non-current assets	15	-	3	-	3
<b>Total non-current assets</b>		<b>49,962</b>	<b>46,557</b>	<b>45,979</b>	<b>40,631</b>
<b>Total assets</b>		<b>71,794</b>	<b>64,747</b>	<b>56,855</b>	<b>53,418</b>
<b>Current liabilities</b>					
Trade and other payables	16	9,080	6,507	2,776	3,499
Short term borrowings	17	5,146	1,273	4,233	656
Current tax payables	4(c)	981	2,411	560	2,411
Provisions	18	3,108	2,369	2,320	1,992
<b>Total current liabilities</b>		<b>18,315</b>	<b>12,560</b>	<b>9,889</b>	<b>8,558</b>
<b>Non-current liabilities</b>					
Long term borrowings	19	5,322	6,064	130	217
Deferred tax liabilities	4(d)	608	618	248	373
Provisions	20	339	367	213	184
<b>Total non-current liabilities</b>		<b>6,269</b>	<b>7,049</b>	<b>591</b>	<b>774</b>
<b>Total liabilities</b>		<b>24,584</b>	<b>19,609</b>	<b>10,480</b>	<b>9,332</b>
<b>Net assets</b>		<b>47,210</b>	<b>45,138</b>	<b>46,375</b>	<b>44,086</b>
<b>Equity</b>					
Contributed equity	21	38,355	38,355	38,355	38,355
Retained earnings and reserves	22	7,612	5,456	8,020	5,731
<b>Parent interests</b>		<b>45,967</b>	<b>43,811</b>	<b>46,375</b>	<b>44,086</b>
Minority interest		1,243	1,327	-	-
<b>Total equity</b>		<b>47,210</b>	<b>45,138</b>	<b>46,375</b>	<b>44,086</b>

Notes to the financial statements are included on pages 28 to 82.

## Statement of Changes in Equity for the financial year ended 30 June 2008

Note	Consolidated 2008				Consolidated 2007					
	\$'000	Contributed equity	Retained earnings and reserves	Minority interest	Total	\$'000	Contributed equity	Retained earnings and reserves	Minority interest	Total
<b>At the beginning of financial year</b>	21,22	38,355	5,456	1,327	45,138	38,355	3,551	-	-	41,906
Profit for the year – parent entity		-	7,858	-	7,858	-	5,824	-	-	5,824
Loss for the year – minority interest		-	-	(84)	(84)	-	-	(262)	(262)	(262)
<b>Total income and expense recognised for the year</b>		38,355	13,314	1,243	52,912	38,355	9,375	(262)	(262)	47,468
Dividends paid	24	-	(4,702)	-	(4,702)	-	(3,919)	-	-	(3,919)
Foreign exchange translation reserve	22	-	(1,000)	-	(1,000)	-	-	-	-	-
Minority interest on acquisition of subsidiary		-	-	-	-	-	-	1,589	1,589	1,589
<b>As at the end of financial year</b>		38,355	7,612	1,243	47,210	38,355	5,456	1,327	1,327	45,138
Total Equity at end of financial year attributable to:										
Minority interests		-	-	1,243	1,243	-	-	1,327	1,327	1,327
Equity holders of the parent		38,355	7,612	-	45,967	38,355	5,456	-	-	43,811

  

Note	Parent 2008			Parent 2007			
	\$'000	Contributed equity	Retained earnings and reserves	Total	Contributed equity	Retained earnings and reserves	Total
<b>At the beginning of financial year</b>	21,22	38,355	5,731	44,086	38,355	3,529	41,884
Profit for the year		-	6,991	6,991	-	6,121	6,121
<b>Total income and expense recognised for the year</b>		38,355	12,722	51,077	38,355	9,650	48,005
Dividends paid	24	-	(4,702)	(4,702)	-	(3,919)	(3,919)
<b>As at the end of financial year</b>		38,355	8,020	46,375	38,355	5,731	44,086
Total Equity at the end of financial year attributable to:							
Equity holders of the parent		38,355	8,020	46,375	38,355	5,731	44,086

Notes to the financial statements are included on pages 28 to 82.

## Cash Flow Statement for the financial year ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		88,595	50,248	54,091	42,448
Payments to suppliers and employees		(71,771)	(40,289)	(41,933)	(31,530)
Income tax paid		(5,077)	(2,222)	(4,656)	(2,261)
Interest and other costs of finance paid		(1,223)	(591)	(720)	(341)
Net cash provided by/(used in) operating activities	5(c)	10,524	7,146	6,782	8,316
<b>Cash flows from investing activities</b>					
Interest received		226	328	172	344
Dividends received		1,000	1,000	1,020	1,000
Proceeds from property, plant and equipment		27	332	13	321
Payment for property, plant and equipment		(2,015)	(3,640)	(1,583)	(2,525)
Proceeds from return of investment		-	-	3,164	-
Payment for business acquisitions net of cash acquired		(6,834)	(5,426)	(9,933)	(5,426)
Net cash (used in)/provided by investing activities		(7,596)	(7,406)	(7,147)	(6,286)
<b>Cash flows from financing activities</b>					
Proceeds from borrowings		14,126	2,648	14,126	2,648
Repayment of borrowings		(11,174)	(5,564)	(10,654)	(4,409)
Related party loans		(85)	814	1,873	(3,044)
Dividends paid		(4,702)	(3,919)	(4,702)	(3,919)
Net cash provided by/(used in) financing activities		(1,835)	(6,021)	643	(8,724)
<b>Net increase in cash and cash equivalents</b>		1,093	(6,281)	278	(6,694)
<b>Cash and cash equivalents at the beginning of the financial year</b>		2,145	8,426	1,687	8,381
<b>Cash and cash equivalents at the end of the financial year</b>	5(b)	3,238	2,145	1,965	1,687

Notes to the financial statements are included on pages 28 to 82.

# Notes to the financial statements

## for the financial year ended 30 June 2008

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## 1. Corporate information

The financial report of Wellcom Group Limited (the Company) for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 22 August 2008.

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

The nature of the operations and principal activities of the Group are described in the Directors' Report.

## 2. Summary of significant accounting policies

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

### a) Basis of preparation

The financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The 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 this class order applies.

### b) Statement of compliance

The financial report complies with Australian Accounting Standards. The Financial Report also complies with International Financial Reporting Standards (IFRS).

### c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiaries at 30 June each year (the group or consolidated entity). Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries comprise Wellcom Moving Images Pty Ltd, Kinkaid Pty Ltd and Keene Repro Limited.

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

Kinkaid Pty Ltd (trading as Cadillac Printing) was acquired during the previous financial year. The financial statements of Cadillac Printing have been prepared using consistent accounting policies. Cadillac Printing is 50% owned by Wellcom Group Limited. Accordingly, there are minority interests accounted for in the consolidated financial report.

The acquisition of Keene Repro Limited 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 value of the assets, liabilities and contingent liabilities assumed at the date of acquisition. The consolidated results include the results of Keene Repro Limited for the period 1 October 2007 to 30 June 2008. The financial statements of Keene Repro Limited have been prepared using consistent accounting policies.

All subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

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

Minority interests not held by the Group are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

**d) Significant accounting judgements, estimates and assumptions**

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

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

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

*(i) Significant accounting judgements*

*Recovery of deferred tax assets*

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

*Impairment of non-financial assets other than goodwill*

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

*Taxation*

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

*(ii) Significant accounting estimates and assumptions*

*Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units, using a value in use discounted cash flow methodology, to which the goodwill is allocated. An impairment loss of \$137,496 was recognised in the current year in respect of goodwill. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill, including a sensitivity analysis, are discussed in note 13.

*Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

**e) Revenue recognition**

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

*Sale of goods*

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

*Rendering of services*

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

*Interest Revenue*

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

*Dividends*

Revenue is recognised when the Group's right to receive the payment is established. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised in revenue.

**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. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

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

**g) Borrowing costs**

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

#### **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.

For the purpose of the cash flow statement cash and cash equivalents consist of cash and cash equivalents as defined above.

#### **i) Employee benefits**

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 or payable.

Provisions made in respect of employee benefits expected to be settled within twelve (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 twelve (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 to 60 day terms, are recognised and carried at amortised cost using the effective interest method less any allowance for any uncollectable amounts.

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

ii) *Loans and other receivables*

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

**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.

**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 translation**

*(i) Functional and presentation currency*

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

*(ii) Translation and balances*

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

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

*(iii) Group companies*

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

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

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

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

**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 acquired in a business combination is initially measured at cost, representing the excess of the cost of acquisition over the net 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.

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

- Australasia pre-media and related services cash generating unit;
- Australasia web print cash generating unit;
- United Kingdom pre-media and related services cash generating unit.

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

Wellcom Group Limited performs its impairment testing as at 30 June each year using a value in use, discounted cash flow methodology for both the pre-media and web print cash generating units to which goodwill and indefinite lived intangibles have been allocated. Further details on the methodology and assumptions used are outlined in note 13.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

**p) Impairment of assets**

The 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.

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



**s) Interest in a joint venture**

The consolidated entity has a 50% interest in iPrint Corporate Pty Ltd, a joint venture between the Wellcom Group Limited 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 consolidated entity determines whether it is necessary to recognise any additional impairment loss with respect to the consolidated entity's net investment in the joint venture. The consolidated income statement reflects the consolidated entity'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 consolidated entity's share of the net assets of the joint venture.

The reporting dates of the joint venture and the consolidated entity are identical and the joint venture's accounting policies conform to those used by the consolidated entity 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.

*Consolidated entity 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. The amounts are unsecured and are usually paid within 30 days of recognition.

**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 re-valued 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 - 20 years
Equipment under finance lease	3 - 6 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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in profit or loss in the year the asset is derecognised.

#### **w) Provisions**

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

An onerous contract is considered to exist where the consolidated entity 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.

**y) Segment reporting**

A business segment is identified as 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.

**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.

**ac) Adoption of 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 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038]*

AASB 8 and AASB 2007-3 are applicable to annual reporting periods beginning on or after 1 January 2009 and replaces AASB 114 Segment Reporting. AASB 8 will result in a significant 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 of 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 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12*

The revised AASB 123 is applicable to annual 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. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.

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

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 changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to be disclosed in 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.

(iv) Revised AASB 3 *Business Combinations*

The revised standard is applicable to annual reporting periods commencing on or after 1 July 2009. This standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into - to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively. The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.

(v) Revised AASB 127 *Consolidated and Separate Financial Statements*

The revised standard is applicable to annual reporting periods commencing on or after 1 July 2009. Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.

(vi) AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127*

The revised standard is applicable to annual reporting periods commencing on or after 1 July 2009 and is issued as a consequence of revisions to AASB 3 and AASB 127. Refer to notes 2(ac)(iv) and 2(ac)(v) above for the Group's assessment of the impact of this standard.

(vii) AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038]*

The amendment is applicable to annual reporting periods commencing on or after 1 January 2009. The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to the Australian Accounting Standards which arise from amendments to IFRSs. The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.

(viii) AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]*

The amendment is applicable to annual reporting periods commencing on or after 1 July 2009. These amendments are additional to those in AASB 2008-5 above. This Standard amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.

(ix) AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, 118, 121, 127 & 136]*

The amendment is applicable to annual reporting periods commencing on or after 1 January 2009. The main amendments made to AASB 127 delete the ‘cost method’ and require all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.

AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.

Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a ‘carry-over basis’ rather than at fair value.

### 3. Profit from operations

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue and expenses from continuing operations				
(a) Revenue				
Revenue from the rendering of services	77,856	53,137	48,368	43,840
	<u>77,856</u>	<u>53,137</u>	<u>48,368</u>	<u>43,840</u>
(b) Other income				
Interest revenue (bank deposits)	210	341	156	357
Rental revenue	243	226	204	202
Net gains on disposal of property, plant & equipment	13	37	13	27
Other	41	161	278	161
	<u>507</u>	<u>765</u>	<u>651</u>	<u>747</u>
	<u>78,363</u>	<u>53,902</u>	<u>49,019</u>	<u>44,587</u>
(c) Employee benefits expense				
Salaries and wages	28,525	19,980	19,439	17,533
Fringe benefits tax	95	86	56	81
Staff amenities	127	81	110	80
	<u>28,747</u>	<u>20,147</u>	<u>19,605</u>	<u>17,694</u>
(d) Depreciation, amortisation & impairment				
Depreciation of non-current assets	3,290	2,808	2,575	2,430
Amortisation of non-current assets	606	722	606	719
Impairment of goodwill	137	-	137	-
	<u>4,033</u>	<u>3,530</u>	<u>3,318</u>	<u>3,149</u>
(e) Finance costs				
Interest on commercial bills	414	114	414	114
Other interest expense	741	445	306	227
Other finance costs	68	34	-	2
	<u>1,223</u>	<u>593</u>	<u>720</u>	<u>343</u>
(f) Rental expenses relating to operating lease				
Minimum lease payments	2,609	1,873	1,803	1,734
	<u>2,609</u>	<u>1,873</u>	<u>1,803</u>	<u>1,734</u>
(g) Foreign exchange losses (net)	23	-	12	-
(h) Bad and doubtful debts	275	7	65	7

#### 4. Income taxes

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(a) Income tax recognised in profit or loss</b>				
Tax expense/(income) comprises:				
Current income tax expense/(income)	3,248	2,053	2,804	2,085
Deferred income tax expense/(income) relating to the origination and reversal of temporary differences	(18)	67	(146)	234
Current income charge in respect of previous years	-	197	-	197
Write-downs (reversals of previous write-downs) of deferred tax assets	-	-	-	-
Total income tax expense/(income)	<u>3,230</u>	<u>2,317</u>	<u>2,658</u>	<u>2,516</u>
Attributable to:				
Continuing operations	<u>3,230</u>	<u>2,317</u>	<u>2,658</u>	<u>2,516</u>

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	11,004	7,879	9,649	8,637
Income tax expense calculated at 30% (2007: 30%)	3,301	2,364	2,895	2,591
Donations	-	-	-	-
Non-deductible expenses	126	56	69	28
Other deductible expenses	-	-	-	-
Differences in overseas tax rates	(8)	-	-	-
Under (over) provided in prior periods	-	197	-	197
Non-assessable income	(306)	(300)	(306)	(300)
Change in unrecognised temporary differences	117	-	-	-
	<u>3,230</u>	<u>2,317</u>	<u>2,658</u>	<u>2,516</u>

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) Income tax recognised directly in equity**

The following current and deferred amounts were charged directly to equity during the period:

Current tax:				
Share issue expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax:				
Net gain on revaluation of property, plant and equipment on acquisition	(16)	(194)	-	-
Tax losses	(3)	-	-	-
	<u>(19)</u>	<u>(194)</u>	<u>-</u>	<u>-</u>

**4. Income taxes (continued)**

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Current tax assets and liabilities</b>				
Current tax assets:				
Income tax refundable attributable to:				
Parent entity	-	-	-	-
Entities other than the parent entity	-	1	-	-
	-	1	-	-
Current tax liabilities:				
Income tax payable attributable to:				
Parent entity	560	2,411	560	2,411
Entities other than the parent entity	421	-	-	-
	981	2,411	560	2,411
<b>(d) Deferred tax balances</b>				
Deferred tax assets comprise:				
Temporary differences	1,673	1,444	1,007	995
	1,673	1,444	1,007	995
Deferred tax liabilities comprise:				
Temporary differences	608	618	248	373
	608	618	248	373

#### 4. Income taxes (continued)

##### Consolidated 2008

	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ Disposals/ Adjustments \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>					
Doubtful debts	6	77	-	-	83
Provisions	820	56	-	(7)	869
Intangible assets	-	-	-	1	1
Accruals	43	22	-	-	65
Share issue costs	215	(72)	-	-	143
Lease liabilities	60	(46)	-	-	14
Lease incentive	37	1	-	-	38
Property, plant and equipment	-	(103)	(16)	178	59
Tax losses	263	70	(3)	71	401
	1,444	5	(19)	243	1,673
<b>Gross deferred tax liabilities:</b>					
Property, plant and equipment	245	94	-	-	339
Intangible assets	179	(121)	-	3	61
Interest receivable	7	(5)	-	-	2
Doubtful debts	-	13	-	-	13
Provisions	-	8	-	-	8
Investments in associates	124	34	-	-	158
Leased assets	62	(35)	-	-	27
Prepaid expenses	1	(1)	-	-	-
	618	(13)	-	3	608

##### Consolidated 2007

	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Acquisitions/ Disposals/ Adjustments \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>					
Doubtful debts	4	(5)	-	7	6
Provisions	449	104	-	267	820
Intangible assets	199	(199)	-	-	-
Accruals	11	2	-	30	43
Share issue costs	286	(71)	-	-	215
Lease liabilities	25	(68)	-	103	60
Lease incentive	-	37	-	-	37
Tax losses	-	263	-	-	263
	974	63	-	407	1,444
<b>Gross deferred tax liabilities:</b>					
Property, plant and equipment	-	110	194	(59)	245
Intangible assets	-	179	-	-	179
Interest receivable	3	4	-	-	7
Investments in associates	159	(35)	-	-	124
Leased assets	-	(129)	-	191	62
Prepaid expenses	-	1	-	-	1
	162	130	194	132	618

#### 4. Income taxes (continued)

##### Parent Entity 2008

	Opening Balance \$'000	Charged to Income \$'000	Charged to equity \$'000	Acquisitions/ Disposals \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>					
Doubtful debts	6	12	-	-	18
Provisions	653	114	-	(7)	760
Intangible assets	-	-	-	1	1
Accruals	24	9	-	-	33
Share issue costs	215	(72)	-	-	143
Lease liabilities	60	(46)	-	-	14
Lease incentive	37	1	-	-	38
	<b>995</b>	<b>18</b>	<b>-</b>	<b>(6)</b>	<b>1,007</b>
<b>Gross deferred tax liabilities:</b>					
Intangible assets	179	(121)	-	3	61
Interest receivable	7	(5)	-	-	2
Investments in associates	124	34	-	-	158
Leased assets	62	(35)	-	-	27
Prepaid expenses	1	(1)	-	-	-
	<b>373</b>	<b>(128)</b>	<b>-</b>	<b>3</b>	<b>248</b>

##### Parent Entity 2007

	Opening Balance \$'000	Charged to Income \$'000	Charged to equity \$'000	Acquisitions/ Disposals \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>					
Doubtful debts	4	2	-	-	6
Provisions	449	81	-	123	653
Intangible assets	198	(198)	-	-	-
Accruals	10	14	-	-	24
Share issue costs	286	(71)	-	-	215
Lease liabilities	25	(68)	-	103	60
Lease incentive	-	37	-	-	37
	<b>972</b>	<b>(203)</b>	<b>-</b>	<b>226</b>	<b>995</b>
<b>Gross deferred tax liabilities:</b>					
Intangible assets	-	179	-	-	179
Interest receivable	3	4	-	-	7
Investments in associates	159	(35)	-	-	124
Leased assets	-	(118)	-	180	62
Prepaid expenses	-	1	-	-	1
	<b>162</b>	<b>31</b>	<b>-</b>	<b>180</b>	<b>373</b>

## 5. Cash and cash equivalents

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>a) Cash and cash equivalents</b>				
Cash on hand	8	7	6	5
Cash at bank	2,438	1,518	657	1,062
Cash on deposit	1,038	620	1,302	620
<b>Total cash and cash equivalents</b>	<b>3,484</b>	<b>2,145</b>	<b>1,965</b>	<b>1,687</b>

Cash at bank and on hand earn interest at floating rates based upon daily deposit rates. Cash on deposit earns interest at fixed rates based upon the bank deposit rate at the time of the deposit and in consideration of the term of the deposit. The interest rate applicable to cash on deposit at 30 June 2008 is 6.04% (2007: 6.20%). Cash is placed on deposit for terms between "at call" to thirty (30) days depending upon bank interest rates and cash flow requirements of the consolidated entity.

### b) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

Balances as above	3,484	2,145	1,965	1,687
Bank overdraft (note 17)	(246)	-	-	-
<b>Balances per cash flow statement</b>	<b>3,238</b>	<b>2,145</b>	<b>1,965</b>	<b>1,687</b>

## 5. Cash and cash equivalents (continued)

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>c) Reconciliation of profit to the net cash flows from operating activities</b>				
A reconciliation of the net profit after tax of the consolidated entity to the net cash inflows from operating activities is provided below:				
Net profit after income tax	7,774	5,562	6,991	6,121
<b>Adjustments for non-cash income and expense items</b>				
Depreciation of non-current assets	3,290	2,808	2,575	2,430
Amortisation of intangible assets	606	722	606	719
Impairment of goodwill	137	-	137	-
Loss (gain) on disposal of non-current assets	(13)	(37)	(13)	(27)
Share of jointly controlled entity's profit	(1,112)	(884)	(1,112)	(884)
Interest and dividend income received and receivable	(210)	(341)	(176)	(357)
Non-cash interest expense	-	3	-	2
Net exchange difference	(447)	-	-	-
<b>Increase/decrease in assets/liabilities</b>				
Trade and other receivables	2,642	(3,287)	372	(1,769)
Inventories	(1,800)	(82)	(112)	(256)
Other current assets	(8)	51	(115)	20
Other non-current assets	-	77	-	77
Trade and other payables	818	2,049	(736)	1,644
Income tax payable	(1,430)	450	(1,851)	462
Deferred tax balances	6	(370)	(141)	(219)
Provisions (employee entitlements)	271	425	357	353
<b>Net cash from operating activities</b>	<b>10,524</b>	<b>7,146</b>	<b>6,782</b>	<b>8,316</b>
<b>d) Financing activities</b>				
Secured bank finance facilities subject to annual review:				
- amount used	10,896	6,484	5,520	836
- amount unused	15,999	11,199	14,745	9,699
	<b>26,895</b>	<b>17,683</b>	<b>20,265</b>	<b>10,535</b>

## 6. Remuneration of auditors

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>(a) Auditor services</b>				
<i>HLB Mann Judd:</i>				
Audit and review of the financial reports	89	80	89	80
<i>HLB Mann Judd related practices:</i>				
Audit and review of the financial reports	3	-	3	-
<i>Other Auditors:</i>				
Audit and review of the financial reports	74	24	-	-
Total Remuneration for audit services	166	104	92	80
<b>(b) Other services</b>				
<i>HLB Mann Judd:</i>				
Audit related services	7	-	7	-
<i>HLB Mann Judd related practices:</i>				
Audit related services	2	-	2	-
Other services	5	-	5	-
<i>Other Auditors:</i>				
Other services	32	-	-	-
Total Remuneration for non-audit services	46	-	14	-

## 7. Current trade and other receivables

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Trade receivables	13,336	10,952	7,095	7,361
Allowance for doubtful debts	(321)	(29)	(59)	(20)
	13,015	10,923	7,036	7,341
Sundry debtors	48	2,181	42	2,168
Interest income receivable	7	23	7	23
Other	-	-	1,000	969
	13,070	13,127	8,085	10,501

Trade receivables are non-interest bearing and have average credit periods of thirty (30) to ninety days (90). An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired and in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. The amount of any allowance/impairment loss has been measured as the difference between the carrying amount of the trade receivables and the estimated future cash flows expected to be received from the relevant debtors. The Group's exposure to credit risk related to trade and other receivables is disclosed in note 25.

## 8. Current inventories

Raw materials (at cost)	4,004	2,356	165	194
Work in progress (at cost)	670	426	455	314
	4,674	2,782	620	508

## 9. Other current assets

Prepayments	604	127	206	83
Other	-	8	-	8
	604	135	206	91

## 10. Investments accounted for using the equity method

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Investments in jointly controlled entities	3,825	3,714	3,825	3,714
	<u>3,825</u>	<u>3,714</u>	<u>3,825</u>	<u>3,714</u>
<b>Financial information of jointly controlled entities</b>			<b>2008</b>	<b>2007</b>
			<b>\$'000</b>	<b>\$'000</b>
Current assets			12,933	10,680
Non-current assets			222	161
			<u>13,155</u>	<u>10,841</u>
Current liabilities			10,293	8,212
Non-current liabilities			27	17
			<u>10,320</u>	<u>8,229</u>
<b>Jointly controlled entity's net assets</b>			<u>2,835</u>	<u>2,612</u>
Income			52,552	49,426
Expenses			49,374	46,911
Jointly controlled entity's profit before tax			3,178	2,515
Income tax expense			(954)	(755)
<b>Jointly controlled entity's net profit after tax</b>			<u>2,224</u>	<u>1,760</u>
Share of jointly controlled entity's net profit after tax attributable to the consolidated entity			1,112	880
Adjustment to recognised share of profit of the jointly controlled entity for the year ended 30 June 2006			-	4
<b>Share of jointly controlled entity's net profit after tax recognised by the consolidated entity</b>			<u>1,112</u>	<u>884</u>

### Details of jointly controlled entity:

The jointly controlled entity referred to in this financial report is: iPrint Corporate Pty Ltd (ACN 098 352 875)  
The Company holds a 50% shareholding in iPrint Corporate Pty Ltd. iPrint Corporate Pty Ltd was incorporated in Australia on 5 October 2001 and operates a print management business.

### Dividends received from jointly controlled entity

The consolidated entity received total dividends of \$1,000,000 (2007: \$1,000,000) during the financial year from its jointly controlled entity. A fully franked final dividend of \$1,000,000 was received on 26 February 2008.

## 11. Other non current financial assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Shares in subsidiaries at cost:				
Shares in Keene Repro Limited	-	-	6,969	-
Shares in Wellcom Moving Images Pty Ltd	-	-	-	200
Shares in Kinkaid Pty Ltd (trading as Cadillac Printing)	-	-	3,017	3,017
	-	-	9,986	3,217

Other financial assets comprise of investments in the ordinary issued capital of:

Keene Repro Limited	100% owned (a wholly owned subsidiary)
Wellcom Moving Images Pty Ltd	100% owned (a wholly owned subsidiary)
Kinkaid Pty Ltd (trading as Cadillac Printing)	50% owned (deemed a controlled entity)

Keene Repro Limited is incorporated in the United Kingdom. Wellcom Moving Images Pty Ltd and Kinkaid Pty Ltd are both incorporated in Australia.

There are no fixed returns or a fixed maturity date attached to any of these investments. The fair value of unlisted other 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.

## 12. Property, plant and equipment

Consolidated	Plant and equipment \$'000	Leasehold Improve- ments \$'000	Furniture and fittings \$'000	Equipment under finance lease \$'000	Total \$'000
<b>At 1 July 2006</b>					
At cost	4,738	1,051	291	56	6,136
Accumulated depreciation	(1,454)	(100)	(63)	(18)	(1,635)
<b>Net book amount</b>	<b>3,284</b>	<b>951</b>	<b>228</b>	<b>38</b>	<b>4,501</b>
<b>Year ended 30 June 2007</b>					
Opening net book amount	3,284	951	228	38	4,501
Additions	2,504	52	47	1,037	3,640
Acquisitions through business acquisitions	1,924	198	40	5,892	8,054
Disposals	(4)	-	-	(291)	(295)
Depreciation charge	(2,260)	(235)	(70)	(243)	(2,808)
<b>Closing net book amount</b>	<b>5,448</b>	<b>966</b>	<b>245</b>	<b>6,433</b>	<b>13,092</b>
<b>At 30 June 2007</b>					
At cost	9,142	1,301	378	6,694	17,515
Accumulated depreciation	(3,694)	(335)	(133)	(261)	(4,423)
<b>Net book amount</b>	<b>5,448</b>	<b>966</b>	<b>245</b>	<b>6,433</b>	<b>13,092</b>

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

Consolidated	Plant and equipment	Leasehold Improve- ments	Furniture and fittings	Equipment under finance lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 30 June 2008</b>					
Opening net book amount	5,448	966	245	6,433	13,092
Additions	1,708	192	217	-	2,117
Acquisition through business acquisitions	475	36	33	-	544
Disposals	(4)	-	-	(96)	(100)
Depreciation charge	(2,525)	(245)	(92)	(428)	(3,290)
Exchange differences	(46)	(5)	(11)	-	(62)
<b>Closing net book amount</b>	<b>5,056</b>	<b>944</b>	<b>392</b>	<b>5,909</b>	<b>12,301</b>
<b>At 30 June 2008</b>					
At cost	11,159	1,522	613	6,532	19,826
Accumulated depreciation	(6,103)	(578)	(221)	(623)	(7,525)
<b>Net book amount</b>	<b>5,056</b>	<b>944</b>	<b>392</b>	<b>5,909</b>	<b>12,301</b>
<b>Parent entity</b>					
<b>At 1 July 2006</b>					
At cost	4,639	1,051	288	56	6,034
Accumulated depreciation	(1,444)	(100)	(62)	(18)	(1,624)
<b>Net book amount</b>	<b>3,195</b>	<b>951</b>	<b>226</b>	<b>38</b>	<b>4,410</b>
<b>Year ended 30 June 2007</b>					
Opening net book amount	3,195	951	226	38	4,410
Additions	2,451	34	40	-	2,525
Acquisitions through business acquisitions	878	163	32	599	1,672
Disposals	(4)	-	-	(291)	(295)
Depreciation charge	(2,051)	(233)	(68)	(78)	(2,430)
<b>Closing net book amount</b>	<b>4,469</b>	<b>915</b>	<b>230</b>	<b>268</b>	<b>5,882</b>
<b>At 30 June 2007</b>					
At cost	7,992	1,248	360	318	9,918
Accumulated depreciation	(3,523)	(333)	(130)	(50)	(4,036)
<b>Net book amount</b>	<b>4,469</b>	<b>915</b>	<b>230</b>	<b>268</b>	<b>5,882</b>
<b>Year ended 30 June 2008</b>					
Opening net book amount	4,469	915	230	268	5,882
Additions/transfers	1,629	111	55	-	1,795
Acquisitions through business acquisitions	-	-	-	-	-
Disposals/transfers	(1)	-	-	(96)	(97)
Depreciation charge	(2,190)	(230)	(75)	(80)	(2,575)
<b>Closing net book amount</b>	<b>3,907</b>	<b>796</b>	<b>210</b>	<b>92</b>	<b>5,005</b>
<b>At 30 June 2008</b>					
At cost	9,581	1,360	415	203	11,559
Accumulated depreciation	(5,674)	(564)	(205)	(111)	(6,554)
<b>Net book amount</b>	<b>3,907</b>	<b>796</b>	<b>210</b>	<b>92</b>	<b>5,005</b>

### 13. Goodwill

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>At the beginning of financial period</b>				
At cost	27,482	23,658	26,006	23,609
Accumulated impairment losses	-	-	-	-
<b>Net book amount</b>	<b>27,482</b>	<b>23,658</b>	<b>26,006</b>	<b>23,609</b>
<b>During the financial period</b>				
Opening net book amount	27,482	23,658	26,006	23,609
Additions through business acquisitions (note 27)	5,098	3,417	-	1,990
Exchange differences	(518)	-	-	-
Other	21	407	70	407
Impairment losses for the year	(137)	-	(137)	-
<b>Closing net book amount</b>	<b>31,946</b>	<b>27,482</b>	<b>25,939</b>	<b>26,006</b>
<b>At end of financial period</b>				
At cost	32,083	27,482	26,076	26,006
Accumulated impairment losses	(137)	-	(137)	-
<b>Net book amount</b>	<b>31,946</b>	<b>27,482</b>	<b>25,939</b>	<b>26,006</b>

#### b) Impairment testing of goodwill with indefinite useful lives

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

Pre-media and related services – Australasia	25,939	26,055	25,939	26,006
Pre media and related services– United Kingdom	4,580	-	-	-
Web print – Australasia	1,427	1,427	-	-
<b>Total Goodwill</b>	<b>31,946</b>	<b>27,482</b>	<b>25,939</b>	<b>26,006</b>

During the financial period, the Group assessed the recoverable amount of goodwill. The recoverable amount of each cash-generating unit was assessed by reference to the value in use calculations. These calculations used cash flow projections based on financial budgets approved by management.

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

An impairment charge of \$137,496 arose in the Pre-media CGU in Australia (included in the Australasia segment summary) following a decision to write down the goodwill recognised on the purchase of the assets of the Image Studios business on 1 November 2006. This was a result of a decision to restructure the unit during 2009. Following this decision, the Group reassessed the depreciation policies of its property, plant and equipment in this CGU and estimated that the useful lives will not be affected following this decision. No class of asset other than goodwill was impaired.

#### Key assumptions:

Revenue growth rates are based on past performance, known variations, or 5% where a reasonable estimate is not available. Gross margins are based on past performance adjusted for future expectations.

#### 14. Other intangible assets

<b>Consolidated</b>	<b>Customer list \$'000</b>	<b>Customer contracts \$'000</b>	<b>Software database \$'000</b>	<b>Other \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2006</b>					
Cost	954	820	608	12	<b>2,394</b>
Accumulated amortisation and impairment losses	(385)	(275)	(201)	(1)	<b>(862)</b>
<b>Net book amount</b>	<b>569</b>	<b>545</b>	<b>407</b>	<b>11</b>	<b>1,532</b>
<b>Year ended 30 June 2007</b>					
Opening net book amount	569	545	407	11	<b>1,532</b>
Other	-	-	12	-	<b>12</b>
Amortisation charge*	(271)	(247)	(201)	(3)	<b>(722)</b>
Impairment losses	-	-	-	-	-
	<b>298</b>	<b>298</b>	<b>218</b>	<b>8</b>	<b>822</b>
<b>At 30 June 2007</b>					
Cost	954	820	620	12	<b>2,406</b>
Accumulated amortisation and impairment losses	(656)	(522)	(402)	(4)	<b>(1,584)</b>
<b>Net book amount</b>	<b>298</b>	<b>298</b>	<b>218</b>	<b>8</b>	<b>822</b>
<b>Year ended 30 June 2008</b>					
Opening net book amount	298	298	218	8	<b>822</b>
Other	-	-	1	-	<b>1</b>
Amortisation charge*	(178)	(221)	(204)	(3)	<b>(606)</b>
Impairment losses	-	-	-	-	-
Closing net book amount	<b>120</b>	<b>77</b>	<b>15</b>	<b>5</b>	<b>217</b>
<b>At 30 June 2008</b>					
Cost	954	820	621	12	<b>2,407</b>
Accumulated amortisation and impairment losses	(834)	(743)	(606)	(7)	<b>(2,190)</b>
<b>Net book amount</b>	<b>120</b>	<b>77</b>	<b>15</b>	<b>5</b>	<b>217</b>

\* Amortisation of \$606,000 (2007: \$722,000) is included in depreciation, amortisation and impairment in the income statement.

#### 14. Other intangible assets (continued)

Parent entity	Customer list \$'000	Customer contracts \$'000	Software database \$'000	Other \$'000	Total \$'000
<b>At 1 July 2006</b>					
Cost	954	820	608	-	2,382
Accumulated amortisation and impairment losses	(385)	(275)	(201)	-	(861)
<b>Net book amount</b>	<b>569</b>	<b>545</b>	<b>407</b>	<b>-</b>	<b>1,521</b>
<b>Year ended 30 June 2007</b>					
Opening net book amount	569	545	407	-	1,521
Other	-	-	12	-	12
Amortisation charge*	(271)	(247)	(201)	-	(719)
Impairment losses	-	-	-	-	-
	<b>298</b>	<b>298</b>	<b>218</b>	<b>-</b>	<b>814</b>
<b>At 30 June 2007</b>					
Cost	954	820	620	-	2,394
Accumulated amortisation and impairment losses	(656)	(522)	(402)	-	(1,580)
<b>Net book amount</b>	<b>298</b>	<b>298</b>	<b>218</b>	<b>-</b>	<b>814</b>
<b>Year ended 30 June 2008</b>					
Opening net book amount	298	298	218	-	814
Other	-	-	1	8	9
Amortisation charge*	(178)	(221)	(204)	(3)	(606)
Impairment losses	-	-	-	-	-
Closing net book amount	<b>120</b>	<b>77</b>	<b>15</b>	<b>5</b>	<b>217</b>
<b>At 30 June 2007</b>					
Cost	954	820	621	8	2,403
Accumulated amortisation and impairment losses	(834)	(743)	(606)	(3)	(2,186)
<b>Net book amount</b>	<b>120</b>	<b>77</b>	<b>15</b>	<b>5</b>	<b>217</b>

\* Amortisation of \$606,000 (2007: \$719,000) is included in depreciation, amortisation and impairment in the income statement.

## 15. Other non-current assets

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Deposits paid	-	3	-	3
	-	3	-	3

## 16. Current trade and other payables

### Unsecured

Trade payables	5,754	4,770	1,506	2,157
Goods and services tax (GST) payable	751	314	279	210
Other	2,575	1,423	991	1,132
	9,080	6,507	2,776	3,499

The average credit period on purchases of goods and services is thirty (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. The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 25.

## 17. Short term borrowings

### Secured

Bank overdraft	246	-	-	-
Commercial bills (at amortised cost)	3,970	-	3,970	-
Finance lease liabilities (note 26)	176	324	176	324
Hire purchase liabilities (note 26)	653	856	87	332

### Unsecured

Other loans*	101	93	-	-
	5,146	1,273	4,233	656

\*Other loans are repayable over a six (6) year period at an interest rate of 7% - refer note 30 – Related party disclosures.

The Group's exposure to risks arising from short and long-term borrowings are set out in note 25.

## 18. Current provisions

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Employee benefits	2,546	2,369	2,155	1,992
Provision for restructure (a)	135	-	-	-
Makegood provision (b)	427	-	165	-
	3,108	2,369	2,320	1,992

### (a) Provision for Restructure

Provision has been made in respect of the costs to be incurred in the restructure of recently acquired businesses.

#### Movement in provisions: Restructure

Carrying amount at the beginning of the year	-	-	-	-
Assumed on acquisition of business	150	-	-	-
Exchange differences	(15)	-	-	-
Charged/credited to the income statement:				
- additional provisions recognised	-	-	-	-
Carrying amount at year end	135	-	-	-

### (b) Provision for Makegood

Provision has been made for estimated cost ("makegood") to restore leasehold property to its former state under the terms of the various leases. The costs have been measured at present value of the estimated expenditure required to remove any leasehold improvements.

#### Movement in provisions: Makegood

Carrying amount at the beginning of the year	-	-	-	-
Assumed on acquisition of business	290	-	-	-
Exchange differences	(28)	-	-	-
Charged/credited to the income statement:				
- additional provisions recognised	165	-	165	-
Carrying amount at year end	427	-	165	-

## 19. Long term borrowings

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Secured</b>				
Hire purchase liabilities (note 26)	4,694	5,343	130	217
<b>Unsecured</b>				
Other loans*	628	721	-	-
	5,322	6,064	130	217

\*Other loans are repayable over a six (6) year period at an interest rate of 7% - refer note 30- Related party disclosures.

## 20. Non-current provisions

Employee benefits	264	292	213	184
Makegood provision (a)	75	75	-	-
	339	367	213	184

### (a) Makegood Provision

Provision has been made for estimated cost (“makegood”) to restore leasehold property to its former state under the terms of the various leases. The costs have been measured at present value of the estimated expenditure required to remove any leasehold improvements.

### Movement in provisions: Makegood

Carrying amount at the beginning of the year	75	-	-	-
Assumed on acquisition of business	-	75	-	-
Carrying amount at year end	75	75	-	-

## 21. Contributed equity

39,190,001 (2007: 39,190,001) fully paid ordinary shares*	38,355	38,355	38,355	38,355
	38,355	38,355	38,355	38,355

\* Fully paid ordinary shares carry one voting right per share and carry the right to receive dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

### Capital risk management

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

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

## 21. Contributed equity (continued)

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's aim is to achieve a return on capital of between 12 and 16 percent; during the year ended 30 June 2008 the return was 17.5 percent (2007: 13.6 percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was 7.4 percent (2007: 7.5 percent).

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

Wellcom Group Limited has entered into lending arrangements with its bankers to obtain overdraft, commercial bill, lease/hire purchase, guarantee/standby letter of credit and pay away facilities. The Group has undertaken to adhere to financial reporting and other conditions as part of this arrangement. The other conditions consist of financial covenants for interest cover and debt to EBITDA ratios. The Group has given undertakings that these ratios will be within agreed limits, measured either against quarterly or twelve month rolling results.

The Group has complied with the externally imposed capital requirements during the year.

## 22. Retained earnings and reserves

	Consolidated		Parent Entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>a) Reserves</b>				
Foreign currency translation reserve	(1,000)	-	-	-
<b>Movements:</b>				
<i>Foreign currency translation reserve:</i>				
Balance at beginning of financial period	-	-	-	-
Currency translation differences during the year	(1,000)	-	-	-
Balance at end of financial period	(1,000)	-	-	-
<b>b) Retained earnings</b>				
<i>Movements in retained profits were as follows:</i>				
Balance at beginning of financial period	5,456	3,551	5,731	3,529
Net profit attributable to members of the parent	7,858	5,824	6,991	6,121
Dividends paid or provided for (note 24)	(4,702)	(3,919)	(4,702)	(3,919)
Balance at end of financial period	8,612	5,456	8,020	5,731

### c) Nature and purpose of reserves

#### *(i) Foreign currency translation reserve*

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 2(m). The reserve is recognised in profit and loss when the net investment is disposed of.

## 23. Earnings per share

	<b>Consolidated 2008 Cents</b>	<b>Consolidated 2007 Cents</b>
<b>a) Basic earnings per share</b>		
- from continuing operations	20.05	14.86
- from discontinued operations	-	-
Total basic earnings per share	20.05	14.86
<b>b) Diluted earnings per share</b>		
- from continuing operations	20.05	14.86
- from discontinued operations	-	-
Total diluted earnings per share	20.05	14.86
<b>c) Reconciliations of earnings used in calculating earnings per share</b>		
	<b>\$'000</b>	<b>\$'000</b>
<i>Basic earnings per share</i>		
Profit from continuing operations	7,774	5,562
Loss from continuing operations attributable to minority interests	84	262
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	7,858	5,824
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	7,858	5,824
Adjustments to profits for the purposes of calculating diluted earnings per share	-	-
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	7,858	5,824
<b>Weighted number of shares used as the denominator</b>		
	<b>No. '000</b>	<b>No. '000</b>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	39,190	39,190
Adjustments for calculation of diluted earnings per share	-	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	39,190	39,190

## 24. Dividends

	<b>Consolidated 2008</b>		<b>Consolidated 2007</b>	
	<b>Cents</b>	<b>\$'000</b>	<b>Cents</b>	<b>\$'000</b>
<b>a) Fully paid ordinary shares</b>				
<i>Final dividend</i>				
Fully franked for the year ended 30 June 2007, paid 4 October 2007 (2006: 23 September 2006)	6.0	2,351	5.0	1,959.5
<i>Interim dividend</i>				
Fully franked for the year ended 30 June 2008, paid 28 March 2008 (2007: 31 March 2007)	6.0	2,351	5.0	1,959.5
	12.0	4,702	10.0	3,919.0
<b>b) Dividends not recognised at year end</b>				
<i>Final dividend</i>				
Fully franked final dividend for the year ended 30 June 2008, to be paid 24 September 2008 (2007: 4 October 2007)	7.0	2,743	6.0	2,351
	7.0	2,743	6.0	2,351

### c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ended 30 June 2008.

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30% (2007: 30%)	5,056	3,882	4,620	2,967
	5,056	3,882	4,620	2,967

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

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

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

The impact on the franking account of the dividend recommended by the directors since year end but not recognised as a liability at year end will be a reduction in the franking account of \$1.18 m (2007: \$1.01m).

## 25. Financial risk management and instruments

### a) Significant accounting policies

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

### b) Financial risk management

The Company and Group have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

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

The board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board is also responsible for developing and monitoring risk management policies.

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

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

#### **Credit risk**

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

#### *Trade and other receivables*

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

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

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

The majority of the Group's customers have been transacting with the Group for over four years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Goods are sold subject to retention of title clauses or rights to withhold data, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

The Company and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

### *Exposure to credit risk*

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

	Note	Consolidated		Parent Entity	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash and cash equivalents	5	3,484	2,145	1,965	1,687
Trade receivables	7	13,015	10,923	7,036	7,341
Other receivables	7	55	2,204	1,049	3,160
		<u>16,554</u>	<u>15,272</u>	<u>10,050</u>	<u>12,188</u>

The Group's and Company's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was \$13,015 (2007: \$10,923) and \$7,036 (2007: \$7,341) respectively.

### *Impairment losses*

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

	Gross		Impairment	
	2008 \$'000	2008 \$'000	2007 \$'000	2007 \$'000
Not past due	7,615	-	5,323	-
Past due 0-30 days	4,066	-	3,411	-
Past due 31-120 days	1,185	26	1,974	29
Past due 121 days to one year	470	295	244	-
More than one year	-	-	-	-
	<u>13,336</u>	<u>321</u>	<u>10,952</u>	<u>29</u>

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

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

	<b>Gross 2008 \$'000</b>	<b>Impairment 2008 \$'000</b>	<b>Gross 2007 \$'000</b>	<b>Impairment 2007 \$'000</b>
Not past due	4,069	-	3,571	-
Past due 0-30 days	2,044	-	2,394	-
Past due 31-120 days	855	15	1,197	20
Past due 121 days to one year	127	44	199	-
More than one year	-	-	-	-
	<b>7,095</b>	<b>59</b>	<b>7,361</b>	<b>20</b>

Debtors days sales outstanding as at 30 June 2008 was 51 days (2007: 53 days).

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008 \$'000</b>	<b>2007 \$'000</b>	<b>2008 \$'000</b>	<b>2007 \$'000</b>
Balance at 1 July	29	13	20	13
Impairment loss recognised	318	16	65	7
Receivables written off during the year as uncollectible	(26)	-	(26)	-
Balance at 30 June	<b>321</b>	<b>29</b>	<b>59</b>	<b>20</b>

The creation of the provision for impaired receivables has been included in 'other expenses' in the income statement. Amounts charged to the allowance account are generally written off when there is not expectation of recovering additional cash.

### Liquidity risk

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

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

- \$14.0 million commercial bill facility;
- \$6.63 million hire purchase and lease facility;
- \$1.96 million bank guarantee facility;
- \$1.0 million secured overdraft facility; and
- \$3.3 million sundry cashing facility.

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

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

### Consolidated 2008

Non-derivative financial liabilities	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Unsecured loans	729	885	74	74	147	443	147
Commercial bill	3,970	4,000	4,000	-	-	-	-
Finance lease liabilities	49	49	49	-	-	-	-
Hire purchase liabilities	5,347	6,520	529	529	1,313	4,149	-
Trade and other payables	9,080	9,080	9,066	14	-	-	-
Bank overdraft	246	246	246	-	-	-	-

### Consolidated 2007

Non-derivative financial liabilities	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Unsecured loans	814	1,075	116	74	148	443	294
Finance lease liabilities	200	210	115	95	-	-	-
Hire purchase liabilities	6,199	7,849	692	636	1,059	5,462	-
Trade and other payables	6,507	6,507	6,499	8	-	-	-
Bank overdraft	-	-	-	-	-	-	-

### Parent Entity 2008

Non-derivative financial liabilities	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Unsecured loans	-	-	-	-	-	-	-
Commercial bill	3,970	4,000	4,000	-	-	-	-
Finance lease liabilities	49	49	49	-	-	-	-
Hire purchase liabilities	217	260	58	58	144	-	-
Trade and other payables	2,776	2,776	2,776	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-

### Parent Entity 2007

Non-derivative financial liabilities	Carrying Amount	Contractual cash flows	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Unsecured loans	-	-	-	-	-	-	-
Finance lease liabilities	200	210	115	95	-	-	-
Hire purchase liabilities	549	646	221	165	116	144	-
Trade and other payables	3,499	3,499	3,499	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-

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

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

As the Group's and Company's exposure to market risk is low, no derivative or financial liabilities were entered into during the year ended 30 June 2008 with the purpose of managing market risks. The board will continue monitoring the Group's and Company's exposure to market risk and in the event that derivatives and/or financial liabilities are entered into, the board will consider the costs and benefits of seeking to apply hedge accounting in order to manage volatility in profit and loss.

### Currency risk

The Group does not have material transactions between businesses in Australia and overseas which would give rise to receivables and payables in foreign currency of each of the business units. The individual business units do not have material trade in foreign currency with third parties which would give rise to any foreign currency risk. The Company has a material exposure to GBP with its investment in Keene Repro Limited of \$6.9m AUD. The Group considers itself a long term holder of the assets of Keene Repro Limited and as such does not consider short term currency risk exposure.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily AUD.

As the Group's exposure to currency risk is not significant it has not entered into any hedge transactions or taken alternative measures to minimise fluctuations in the respective currencies.

#### *Exposure to currency risk*

The Group's exposure to foreign currency risk at reporting date was as follows, based on notional amounts:

<i>In thousands of AUD</i>	<b>30 June 2008</b>			<b>30 June 2007</b>		
	<b>AUD</b>	<b>GBP</b>	<b>NZD</b>	<b>AUD</b>	<b>GBP</b>	<b>NZD</b>
Trade receivables	10,840	2,088	87	10,952	-	-
Trade payables	(5,453)	(280)	(21)	(4,770)	-	-
Gross balance sheet exposure	5,387	1,808	66	6,182	-	-

The Company's exposure to foreign currency risk was as follows, based on notional amounts:

<i>In thousands of AUD</i>	<b>30 June 2008</b>		<b>30 June 2007</b>	
	<b>GBP</b>	<b>NZD</b>	<b>GBP</b>	<b>NZD</b>
Trade receivables	-	87	-	-
Trade payables	-	(21)	-	-
Gross balance sheet exposure	-	66	-	-

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

The following significant exchange rates applied during the year:

	Average Rate		Reporting date spot rate	
	2008	2007	2008	2007
AUD				
GBP 1	0.4577	N/A	0.4817	N/A
NZD 1	1.1899	N/A	1.2628	N/A

### Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

	Consolidated		Parent Entity	
	Equity \$'000	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000
<b>30 June 2008</b>				
GBP	165	-	-	-
NZD	6	6	6	6
<b>30 June 2007</b>				
GBP	-	-	-	-
NZD	-	-	-	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 2008 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's short term debt obligations with floating interest rates.

The Group's policy is to manage its interest cost and its ability to service the cost, using a combination of sensitivity analysis against the underlying cash flows of the revenue generating assets purchased, matching loan terms against the life of the cash generating assets, the available mix of funding options allowing for floating rate facilities to average interest rates and the availability of entering into interest rate swaps and similar products if required.

### Profile

At reporting date the interest rate profile of the Group's and Company's interest-bearing financial instruments was:

	Consolidated		Parent Entity	
	Carrying Amount 2008 \$'000	2007 \$'000	Carrying Amount 2008 \$'000	2007 \$'000
<b>Fixed rate instruments</b>				
Financial assets	1,038	-	721	899
Financial liabilities	(10,222)	(7,337)	(4,363)	(873)
	<u>(9,184)</u>	<u>(7,337)</u>	<u>(3,642)</u>	<u>26</u>
<b>Variable rate instruments</b>				
Financial assets	2,438	2,138	1,959	1,682
Financial liabilities	(246)	-	-	-
	<u>2,192</u>	<u>2,138</u>	<u>1,959</u>	<u>1,682</u>

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

### *Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and does not have derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

### *Cash flow sensitivity for variable rate instruments*

A change of 100 basis points ('bp') in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>Equity \$'000</b>	<b>Profit or loss \$'000</b>	<b>Equity \$'000</b>	<b>Profit or loss \$'000</b>
<b>30 June 2008</b>				
Variable rate instruments	24	24	18	18
Cash flow sensitivity (net)	24	24	18	18
<b>30 June 2007</b>				
Variable rate instruments	53	53	50	50
Cash flow sensitivity (net)	53	53	50	50

A decrease of 100 basis points ("bp") in interest rates at the reporting date would have had the equal opposite effect on the above instruments to the amounts shown above, on the basis that all other variables remain constant.

### **Fair values**

#### *Fair values versus carrying amounts*

Carrying amounts of assets and liabilities approximate fair value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

The aggregate fair value and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

Aggregate net fair value of financial assets are materially in line with carrying values. A discount rate of 7.44% (2007: 7.50%) has been applied to all non-current loans and borrowings to determine fair value.

## 26. Commitments for expenditure

### a) Plant and equipment

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

### b) Lease commitments

#### *Group as lessee*

#### i) Non cancellable operating leases – building rental

The Group leases various offices under non-cancellable operating leases expiring within 1 to 10 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

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

	<b>Consolidated</b>		<b>Parent Entity</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within one year	2,372	1,683	1,454	1,491
Later than one year but not later than five	7,104	-	2,926	-
Later than five years	5,490	4,475	-	4,419
	<b>14,966</b>	<b>6,158</b>	<b>4,380</b>	<b>5,910</b>

#### ii) Finance lease and hire purchase

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

Commitments in relation to finance are payable as follows:

Within one year	1,108	1,539	165	596
Later than one year but not later than five years	5,461	6,520	144	260
Later than five years	-	-	-	-
Minimum payments*	<b>6,569</b>	<b>8,059</b>	<b>309</b>	<b>856</b>
Future finance charges	(1,173)	(1,660)	(43)	(107)
Recognised as a liability	<b>5,396</b>	<b>6,399</b>	<b>266</b>	<b>749</b>
Lease incentives in relation to non-leases included in lease liabilities	127	124	127	124
Total lease liabilities	<b>5,523</b>	<b>6,523</b>	<b>393</b>	<b>873</b>

## 26. Commitments for expenditure (continued)

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Representing:				
Finance liabilities				
- Current (note 17)	829	1,180	263	656
- Non-current (note 19)	4,694	5,343	130	217
	5,523	6,523	393	873

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

## 27. Acquisition of businesses

### Year ended 30 June 2008

#### 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 acquired business contributed revenues of \$9.2m and net profit of \$1.1m to the consolidated entity for the period from 1 October 2007 to 30 June 2008. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated profit for the financial year ended 30 June 2008 would have been \$80.9m and \$8.2m respectively, excluding the effect of the adjustments to reflect the fair value on acquisition.

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

	Book value	Fair value	Total fair value
	\$'000	adjustment	on acquisition
	\$'000	\$'000	\$'000
<b>Net assets acquired</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	3,099	-	3,099
Trade receivables	2,585	-	2,585
Other current assets	92	-	92
<b>Non-current assets:</b>			
Property, plant & equipment	544	-	544
Other non current assets	461	-	461
Deferred tax assets	249	-	249
<b>Current liabilities:</b>			
Trade and other payables	(1,136)	(619)	(1,755)
Provisions	(440)	-	(440)
<b>Non-current liabilities:</b>			
Provisions	-	-	-
	5,454	(619)	4,835
Dividend paid from pre-acquisition profits			(2,964)
Goodwill arising on acquisition			5,098
Total cost arising on acquisition			6,969
<b>Cost of the combination:</b>			
Cash paid as consideration			9,703
Direct acquisition costs paid			230
Dividend paid from pre-acquisition profits			(2,964)
			6,969

## 27. Acquisition of businesses (continued)

	\$'000
<b>The cash outflow on acquisition is as follows:</b>	
Net cash acquired with the subsidiary	3,099
Cash paid	(9,933)
Dividend paid from pre-acquisition profits	2,964
Net cash outflow	(3,870)

### Acquisition of business and assets of Visualise Limited

On 15 January 2008 the company acquired the business name and assets of Visualise Limited, a pre-media and web construction and hosting business based in Auckland, New Zealand for consideration of AUD 45K. Consolidated revenue and consolidated profit would not be materially impacted had the acquisition occurred on 1 July 2007.

### Year ended 30 June 2007

#### Acquisition of business and assets of Imagesetter Pty Ltd (trading as Digital House)

On 1 September 2006, the Company 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. \$0.3m of the consideration payable was subject to certain performance hurdles measurable over the twelve (12) months from completion.

The acquired business contributed revenues of \$3.2m and net profit of \$0.69m to the consolidated entity for the period from 1 September 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006 the contribution to revenue and consolidated profit would not have been materially different.

#### Acquisition of business and assets of Image Studio and Design Pty Ltd (trading as Image Studios)

On 1 November 2006, the Company 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 \$0.35m. 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 work in progress.

The acquired business contributed revenues of \$3.3m and net loss of \$0.07m to the consolidated entity for the period from 1 November 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006 the contribution to revenue and consolidated profit would not have been materially different.

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

On 14 December 2006, the Company acquired 50% of the shares in Kinkaid Pty Ltd (trading as Cadillac Printing), a web printing business, for a cash consideration of \$3m. The business is located in North Plympton, South Australia. As the only other shareholder of Kinkaid Pty Ltd is associated with Wellcom Group Limited's major shareholder, it has been deemed that the Company has effective control of the entity and has therefore consolidated the business of Cadillac Printing for accounting purposes. The consideration also included the assumption of a vendor loan.

The acquired business contributed revenues of \$9.6m and net loss (after tax) of \$0.26m to the consolidated entity for the period 14 December 2006 to 30 June 2007. If the acquisition had occurred on 1 July 2006 the contribution to consolidated revenue would have been \$17.6m and the contribution to profit attributable to members would have been a loss of \$0.20m.

Year ended 30 June 2007

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

## 28. Segment information

### Business segments

The consolidated entity operates predominantly in two main business segments being premedia and web offset printing.

2008	Pre media	Web printing	Eliminations	Total continuing operations
	\$'000	\$'000	\$'000	\$'000
Segment revenue	57,552	22,508	(2,204)	77,856
Segment result	12,538	(234)	(96)	12,208
Unallocated expenses				(1,815)
Results from operating activities				10,393
Net finance costs				(501)
Joint venture revenue				1,112
Income tax expense				(3,230)
Profit from continuing operations				7,774
Minority interest				84
Profit for the year				7,858
Segment assets	59,049	15,180	(2,435)	71,794
Segment liabilities	12,933	13,145	(1,494)	24,584
2007	Pre media	Web printing	Eliminations	Total continuing operations
	\$'000	\$'000	\$'000	\$'000
Segment revenue	44,404	9,596	(863)	53,137
Segment result	9,453	(722)	(35)	8,696
Unallocated expenses				(1,836)
Results from operating activities				6,860
Net finance costs				135
Joint venture revenue				884
Income tax expense				(2,317)
Profit from continuing operations				5,562
Minority interest				262
Profit for the year				5,824
Segment assets	53,491	13,399	(2,143)	64,747
Segment liabilities	9,453	11,198	(1,042)	19,609

## 28. Segment information (continued)

### Geographical segments

The Group operates in two main geographical segments, Australasia and the United Kingdom. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

2008	Australasia	United Kingdom	Eliminations	Total continuing operations
	\$'000	\$'000	\$'000	\$'000
Segment revenue	68,672	9,184	-	77,856
Segment result	10,503	1,933	(228)	12,208
Unallocated expenses				(1,815)
Results from operating activities				10,393
Net finance costs				(501)
Joint venture revenue				1,112
Income tax expense				(3,230)
Profit from continuing operations				7,774
Minority interest				84
Profit for the year				7,858
Segment assets	69,600	4,910	(2,716)	71,794
Segment liabilities	22,455	2,455	(326)	24,584
2007	Australasia	United Kingdom	Eliminations	Total continuing operations
	\$'000	\$'000	\$'000	\$'000
Segment revenue	53,137	-	-	53,137
Segment result	8,696	-	-	8,696
Unallocated expenses				(1,836)
Results from operating activities				6,860
Net finance costs				135
Joint venture revenue				884
Income tax expense				(2,317)
Profit from continuing operations				5,562
Minority interest				262
Profit for the year				5,824
Segment assets	64,747	-	-	64,747
Segment liabilities	19,609	-	-	19,609

### Notes to and forming part of the segment information

#### (i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the entity as disclosed in note 2 and Accounting Standard AASB 114 *Segment Reporting*.

## 28. Segment information (continued)

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, inventories, property, plant and equipment and goodwill and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, employee benefits. Segment assets and liabilities do not include income taxes.

## 29. Key management personnel disclosures

### (a) Directors

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

- Wayne Sidwell (Executive Chairman, Chief Executive Officer)
- Charles Anzarut (Non-Executive Director)
- Kerry Smith (Non-Executive Director)

### (b) Other key management personnel

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

- Stephen Rees (Chief Operating Officer)
- Julian Graham (Company Secretary, Chief Financial Officer)
- Michael Bettridge (New Business Development and Strategy)
- Mark Parker (General Manager - Victoria)
- Jeff Keene (Managing Director - United Kingdom)
- Craig Bevan (General Manager - New South Wales)

The Group has entered into employment contracts with all key management personnel of the Company and its subsidiaries. Key management personnel are given the opportunity to receive their fixed remuneration in a variety of forms, including cash, superannuation contributions and non-monetary benefits such as motor vehicles.

### (c) Key management personnel compensation

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Short term employee benefits	1,575	1,116	1,310	1,116
Post employment benefits	306	261	293	261
	1,881	1,377	1,603	1,377

The company has taken advantage of the relief provided by AASB 2008-4 *Amendments to Australian Accounting Standards - Key Management Personnel Disclosures by Disclosing Entities* and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in the remuneration report on pages 15 to 18. These transferred disclosures have been audited.

## 29. Key management personnel disclosures (continued)

### d) Key management personnel equity holdings

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

	Opening balance 1 July 2007	Granted as remuneration	Otherwise acquired (disposed)	Closing balance 30 June 2008	Balance held nominally
	‘000	‘000	‘000	‘000	‘000
<b>Directors</b>					
W.W. Sidwell	25,200	-	-	25,200	-
C.A. Anzarut	20	-	-	20	-
K.B. Smith	-	-	-	-	-
	<b>25,220</b>	-	-	<b>25,220</b>	-

#### Other key management personnel

S. Rees	10	-	-	10	-
L.J. Graham	47	-	-	47	-
M. Bettridge	120	-	-	120	-
M. Parker	50	-	-	50	-
J. Keene	-	-	-	-	-
C. Bevan	10	-	-	10	-
	237	-	-	237	-
	<b>25,457</b>	-	-	<b>25,457</b>	-

	Opening balance 1 July 2006	Granted as Remuneration	Otherwise acquired (disposed)	Closing balance 30 June 2007	Balance Held Nominally
	‘000	‘000	‘000	‘000	‘000
<b>Directors</b>					
W.W. Sidwell	25,430	-	(230)	25,200	-
C.A. Anzarut	-	-	20	20	-
K.B. Smith	-	-	-	-	-
K.R. Romanin	25	-	7	32	-
	<b>25,455</b>	-	<b>(203)</b>	<b>25,252</b>	-

#### Other key management personnel

S. Rees	25	-	(15)	10	-
L.J. Graham	-	-	47	47	-
M. Bettridge	50	-	70	120	-
M. Parker	-	-	50	50	-
	75	-	152	227	-
	<b>25,530</b>	-	<b>(51)</b>	<b>25,479</b>	-

## 29. Key management personnel disclosures (continued)

### e) Loan disclosures

Net profit from continuing operations includes the following items of revenue and expenses that resulted from loans with directors or their personally-related entities during the reporting period:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<b>Revenues</b>				
Interest received	-	-	-	-
<b>Total recognised as revenue</b>	-	-	-	-
<b>Expenses</b>				
Interest expense	54	32	-	-
Other	-	-	-	-
<b>Total recognised as expenses</b>	54	32	-	-

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:

<b>Assets</b>				
Current	-	-	-	-
Non-current	-	-	-	-
	-	-	-	-

Total liabilities arising from transactions other than remuneration with directors or their personally-related entities as at reporting date:

<b>Liabilities</b>				
Current	101	93	-	-
Non-current	628	721	-	-
	729	814	-	-

## 29. Key management personnel disclosures (continued)

### f) Other transactions with directors

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

#### Revenue and expenses arising from related party transactions (non loan)

##### Revenues

Other	-	-	-	-
<b>Total recognised as revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

##### Expenses

Legal fees	73	49	73	49
Rent	556	543	556	543
<b>Total recognised as expenses</b>	<b>629</b>	<b>592</b>	<b>629</b>	<b>592</b>

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:

##### Assets

Current	-	-	-	-
Non-current	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Total liabilities arising from transactions other than remuneration with directors or their personally-related entities as at reporting date:

##### Liabilities

Current	-	20	-	-
Non-current	-	-	-	-
	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>

### 30. Related party disclosures

#### a) Equity interest in related parties

##### Equity interests in subsidiaries:

Interests in subsidiaries are set out in note 31.

##### Equity interests in associates and joint ventures:

Interests held by the consolidated entity in associates, joint ventures and jointly controlled entities consist of:  
iPrint Corporate Pty Ltd - 50%

##### Equity interests in other related parties

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

#### b) Key management personnel remuneration

Disclosures of key management personnel are set out in note 29.

#### c) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Sales of goods and services</i>				
Sale of pre-media and print services	1,788	2,114	3,578	3,038
<i>Purchases of goods</i>				
Purchase of pre-media and print services	867	2,614	1,277	2,720
<i>Dividend revenue</i>				
Subsidiaries	-	-	20	-
Associates	1,000	1,000	1,000	1,000

#### d) Outstanding balances arising from sales/purchases of goods and services

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent entity	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
<i>Current receivables</i>				
Subsidiaries	-	-	893	331
Associates	319	394	319	394
<i>Current payables</i>				
Subsidiaries	-	-	-	135
Associates	110	520	110	520

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

### 30. Related party disclosures (continued)

#### e) Loans to/from related parties

	Consolidated		Parent entity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Loans to subsidiaries</i>				
Beginning of the year	-	-	899	-
Loans advanced	-	-	-	866
Loan payments received	-	-	(232)	-
Interest charged	-	-	54	33
Interest received	-	-	-	-
End of year	-	-	721	899

No provision for doubtful debts has been raised in relation to any outstanding balances, and no expenses have been recognised in respect of bad or doubtful debts due from related parties.

#### f) Terms and conditions.

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

All transactions were made on normal commercial terms and conditions and at market rates. The interest rate on loans during the year was 7% (2007: 7%).

Outstanding balances are unsecured and are payable in cash.

### 31. Subsidiaries

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

Name of entity	Country of incorporation	Class of shares	Equity holding*	
			2008	2007
Wellcom Moving Images Pty Ltd	Australia	Ordinary	100%	100%
Kinkaid Pty Ltd (trading as Cadillac Printing)	Australia	Ordinary	50%	50%
Keene Repro Limited	United Kingdom	Ordinary	100%	-

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

### **32. Subsequent events**

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

#### **Dividends**

On 22 August 2008, the Company declared a final dividend of 7 cents per ordinary share, payable from profits for the year ended 30 June 2008. The total final dividend proposed is \$2,743,300 and will be franked to 100%. The record date for determining entitlements to the dividend is 12 September 2008 and the payment date is the 24 September 2008.

### **33. Additional company information**

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

#### **Registered office**

870 Lorimer Street  
Port Melbourne Victoria 3207

#### **Principal place of business**

870 Lorimer Street  
Port Melbourne Victoria 3207

#### **Share registry**

Link Market Services  
Level 1  
333 Collins Street  
Melbourne Victoria 3000