

## Wellcom Group Limited

ACN 114 312 542

### Notice of Annual General Meeting

Notice is hereby given that the 2010 Annual General Meeting of Wellcom Group Limited (ACN 114 312 542) ('Company') will be held at the time and location, and to conduct the business, specified below:

<b>Date</b>	21 <sup>st</sup> October, 2010
<b>Registration</b>	Commences at 10.00am.
<b>Meeting Start Time</b>	10.30am
<b>Location</b>	Hilton On The Park, 192 Wellington Parade, East Melbourne, Victoria

#### Business

The following business will be conducted:

**1. Financial Statements and Reports**

To receive and consider the reports of the Directors and the Auditor and the financial statements for the year ended 30 June 2010 for the Company and its controlled entities. *(Refer to the Explanatory Statement annexed for further details).*

**2. Amendment of Constitution**

To consider and, if thought fit, to pass, as a Special Resolution, the following:

**Resolution 1**

"That, for the purposes of Section 136 of the Corporations Act and for all other purposes, the Constitution of the Company be amended with immediate effect by deleting existing clause 20.1 and replacing it with the following clauses:

- 20.1 Dividends may only be declared by the Board. A dividend must not be paid unless:
- 20.1.1 the Company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend; and
  - 20.1.2 the payment of the dividend is fair and reasonable to the Company's shareholders as a whole; and
  - 20.1.3 the payment of the dividend does not materially prejudice the company's ability to pay its creditors.
- 20.1A For the purposes of clause 20.1, assets and liabilities are to be calculated in accordance with accounting standards in force at the relevant time (even if the standard does not otherwise apply to the financial year of the Company).
- 20.1B Interest is not payable by the Company in respect of a dividend." *(Refer to the Explanatory Statement annexed for further details).*

**3. Remuneration Report**

To consider, and if thought fit, pass the following resolution as an Ordinary Resolution:

**Resolution 2**

"That the Remuneration Report for the financial year ended 30 June 2010 be adopted." *(Refer to the Explanatory Statement annexed for further details).*

Please note the vote on this resolution is advisory only and does not bind the Directors or the Company.

*At this time Non-executive Director Kerry Smith will assume the Chairman's role for the passage of Resolutions 3 and 4.*

**4. Election of Directors**

To consider, and if thought fit, pass the following resolution as an Ordinary Resolution:

**Resolution 3**

"That Mr Wayne Sidwell who, in accordance with clause 12.11 of the Constitution of the Company, retires from office and, being eligible, offers himself for re-election, be re-elected a Director of the Company." *(Refer to the Explanatory Statement annexed for further details).*

**5. Sale of 50% interest in Kinkaid Pty Ltd**

To consider, and if thought fit, pass the following resolution as an Ordinary Resolution:

**Resolution 4**

"That, for the purposes of Section 208 of the Corporations Act and for all other purposes, the Shareholders approve and authorise the completion of the sale of the 1 Class B share held by Wellcom Group Limited to Well.com Pty Ltd." *(Refer to the Explanatory Statement annexed for further details).*

**Voting exclusion statement**

The Company will disregard any votes cast on a resolution by Well.com Pty Ltd, Wayne Sidwell, any person who might obtain a benefit if the resolution is passed (except solely in their capacity as a shareholder) and an associate of any of them.

However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form or it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

**By order of the Board of Directors**



**Wayne Sidwell**  
**Chief Executive Officer**  
**17<sup>th</sup> September 2010**

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## NOTES

The Explanatory Statement forms part of this Notice of Annual General Meeting and should be read in conjunction with it.

## VOTING ENTITLEMENTS

Pursuant to regulation 7.11.37 of the *Corporations Regulations*, the Board has determined that, for the purpose of voting at the meeting, members are those persons who are the registered holders of shares at 7.00pm on 19<sup>th</sup> October, 2010.

## PROXIES

In accordance with section 249L of the Corporations Act 2001:

A member who is entitled to attend and vote at the Annual General Meeting may appoint a proxy. A proxy can be either an individual or a body corporate. Should you appoint a body corporate as your proxy, that body corporate will need to ensure that it:

- appoints an individual as its corporate representative to exercise its powers at meetings, in accordance with section 250D of the *Corporations Act 2001* (Cth); and
- provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If satisfactory evidence of appointment as corporate representative is not received before the meeting, then the body corporate (through its representative) will not be permitted to act as your proxy.

If a shareholder is entitled to cast two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. If the proxy appointments do not specify the proportion of the member's voting rights that each proxy may exercise, each proxy may exercise half of the member's votes. A proxy need not be member.

To be effective, the proxy form (and, if the appointment is signed by the appointer's attorney, the authority under which it was signed or a certified copy of the authority) must be received by the Company's share registry, Link Market Services Limited, no later than 48 hours prior to the commencement of the annual general meeting (10.30am, 19<sup>th</sup> October 2010).

The completed proxy form may be:

Mailed/delivered to the Company's share registry, Link Market Services Limited at:

<b>Street Address:</b>	<b>Postal Address:</b>	<b>Fax to</b>
Level 12	Locked Bag A14	<b>Link Market Services Limited</b>
680 George Street	Sydney South NSW 1235	Fax: +61 (02) 9287 0309
Sydney NSW 2000		

## CORPORATE REPRESENTATIVES

A corporation may elect to appoint an individual to act as its representative in accordance with section 250D of the Corporations Act 2001(Cth) in which case the Company will require a Certificate of Appointment of Corporate Representative executed in accordance with the Corporations Act 2001 (Cth). The Certificate must be lodged with the Company before the meeting or at the registration desk on the day of the meeting. The Company will retain the certificate.

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## EXPLANATORY STATEMENT

### Introduction

This Explanatory Memorandum has been prepared for the shareholders of Wellcom Group Limited (**Company**) to provide information about the items of business to be considered at the Annual General Meeting of shareholders to be held on the 21<sup>st</sup> October, 2010. Resolution 1 to be voted on is a special resolution. A special resolution requires at least 75% of votes cast by shareholders entitled to vote on the resolution to be in its favour for it to be passed. Resolutions 2, 3 and 4 to be voted on are ordinary resolutions. Ordinary resolutions require a simple majority of votes cast by shareholders entitled to vote on the resolution.

### ITEM 1 – Financial Statements and Reports

As required by section 317 of the *Corporations Act 2001 (Cth) (Act)*, the annual accounts of the Company and the associated reports of the Directors and the Auditor for the most recent financial year will be laid before the meeting.

*No resolution is required for this item, but shareholders will be given the opportunity to ask questions and to make comments on all aspects of the accounts and reports.*

### ITEM 2 – Amendment of Constitution

#### Resolution 1 – Amendment of Constitution

Under the Corporations Act, the Company must seek Shareholder approval by special resolution to modify the Company's Constitution.

The proposed changes seek to bring the Company's Constitution into line with recent changes to the Corporations Act introduced by the *Corporations Amendment (Corporations Reporting Reform) Act 2010*, which include changes to how dividends can be declared and paid by a company.

Previously, section 254T provided that a dividend may only be paid out of profits. New section 254T replaces the current "profits" test with a new solvency-based test which only allows dividends to be paid if:

- The company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend
- It is fair and reasonable to the company's shareholders as a whole, and
- It does not materially prejudice the company's ability to pay its creditors, for example, where a dividend payment would result in the company becoming insolvent.

*The Directors unanimously recommend voting in favour of this resolution.*

### ITEM 3 – Remuneration Report

#### Resolution 2 – Remuneration Report

A resolution for adoption of the Remuneration Report is required to be considered and voted on in accordance with section 250R of the Act.

The Remuneration Report forms part of the Directors Report for the financial year ended 30 June 2010. It details the Company's policy on the remuneration of Non-Executive Directors, executive Directors and senior executives and contains the information required by section 300A of the Act and accounting standard AASB 1046. A copy of the Report is set out in the Full Annual Report and is also available on the Company's website at [www.wellcom.com.au](http://www.wellcom.com.au). Section 250R (3) of the Act provides that the vote on the adoption of the Remuneration Report resolution is advisory only and does not bind the Directors or the Company. However, the Board will take the outcome of the vote into consideration when reviewing the remuneration practices and policies of the Company.

Shareholders will be given the opportunity to ask questions and to make comments on the Remuneration Report.

*The Directors unanimously recommend voting in favour of this resolution.*

## **ITEM 4 – Election of Directors**

### **Resolution 3 – Mr Wayne Sidwell**

This resolution seeks approval for the re-election of Wayne Sidwell, a Director who is retiring by rotation under clause 12.11 of the Company's Constitution. This clause states that at each Annual General Meeting one third of directors (or the number nearest one third, if their number is not three or a multiple of three) must retire from office. Mr Sidwell was appointed to the Board on 17<sup>th</sup> May 2005. He is eligible for election under clause 12.13 and offers himself for reelection as Director of Wellcom Group Limited.

#### **Mr Wayne William Sidwell**

Age: 60 years

Occupation: Executive Chairman

Business Experience:

Wayne Sidwell was the founder and managing director of the original Wellcom business, established in 2000 and acquired by the Company from Well.com Pty Ltd in 2005. Wayne has more than 40 years experience in the pre-media industry and currently serves on both the audit and remuneration committees in addition to serving on the board of a number of private companies.

*The Directors unanimously recommend voting in favour of this resolution. The Chairman of the meeting will be voting any open proxies in favour of this resolution.*

## **ITEM 5 – Sale of 50% interest in Kinkaid Pty Ltd**

### **Resolution 4 – Sale of 50% interest in Kinkaid Pty Ltd**

#### **Introduction**

This resolution seeks Shareholder approval for completion of the sale (**Transaction**) of the Company's shareholding of 1 Class B share in the capital of Kinkaid Pty Ltd (**Kinkaid**).

The purpose of this Explanatory Memorandum is to provide information to explain the Transaction and to assist members to determine how to vote on the resolution required to approve the Transaction.

The Independent Directors of the Company commissioned RSM Bird Cameron Chartered Accountants to prepare a report for the purpose of assessing the market value of the Company's interest in Kinkaid.

#### **Overview**

Kinkaid is a proprietary company limited by shares. The shareholders of Kinkaid are:

- Well.com Pty Ltd atf the Wellcom Discretionary Trust (50% - 1 Class A share); and
- Wellcom Group Limited (50% - 1 Class B share).

Kinkaid, which trades as Cadillac Printing, is a South Australian based heatset and coldset web offset printer. Kinkaid currently produces a variety of magazines, newspapers and catalogues for clients across Australia. It currently has approximately 50 staff including administration, sales and production personnel.

Kinkaid commenced operations in 1948, and began trading under the name Cadillac Printing in 1992.

In 2006, PMP sold its 50% shareholding which was purchased, and is still owned by Well.com Pty Ltd atf the Wellcom Discretionary Trust.

In December 2006, the remaining 50% was purchased by the Company from Ken Catlow.

In April 2010, Well.com Pty Ltd made an indicative proposal to the board of Wellcom Group Limited to acquire the remaining issued capital of Kinkaid.

### Valuation

The valuation prepared by RSM Bird Cameron assessed the value of the 50% interest in Kinkaid using the following methodologies:

- Using Future Maintainable Earnings (EBITDA) at between \$241,000 and \$896,000
- Using Future Maintainable Earnings (PE) – which was the preferred methodology – at between \$2,491,000 and \$3,311,000; and
- Using Net assets as a cross check at \$1,381,000

Based upon this valuation, the independent directors determined that the Transaction would not require approval of shareholders under Listing Rule 10.1 as it does not represent the disposal of a “substantial asset”. An asset is considered substantial if its value, or the value of the consideration for it is 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX.

### Chapter 2E

Chapter 2E of the Corporations Act prohibits a company (subject to certain exceptions) from giving a financial benefit to a related party of the Company, except with the approval of shareholders.

Selling shares to a related party is an example of giving a financial benefit under Chapter 2E.

Well.com Pty Ltd is a related party of Wellcom Group Limited as it is an entity controlled by Wayne Sidwell, a director of Wellcom Group Limited.

Although the independent directors consider that the valuation of the prepared by RSM Bird Cameron indicates that the Transaction has been conducted on terms that would be reasonable if the parties were dealing at arm’s length, the independent directors wish to seek shareholder approval under Chapter 2E of the Corporations Act.

### The Transaction

Upon receipt of the valuation, the independent directors confirmed that they would be willing to sell the interest held by the Company in Kinkaid to Well.com Pty Ltd for a purchase price of \$3 million (**Purchase Price**). Kinkaid will repay the vendor loan to the Company of approximately \$1 million.

The Company and Well.com Pty Ltd entered into a Share Sale & Purchase Agreement (the **Sale Agreement**) in respect of the Shares. Each of the parties to the Sale Agreement have made representations and given warranties, customary for an agreement of this type.

The completion of the Transaction is subject to a condition precedent requiring compliance with Chapter 2E of the Corporations Act, that is, subject to Resolution 3 being passed.

If the condition described above is not satisfied on or before 22 October 2010, the Sale Agreement will automatically terminate.

The Company retains all of its right, title and interest in the Share and remains entitled to all dividends or distributions up to the date of completion.

## **Reasons for and advantages of the Transaction**

If the Transaction proceeds:

- the Company will no longer hold any shares in Kinkaid;
- the Company will be divesting itself of a business with lower returns on funds employed and margins than its core operations;
- the Company's capex profile/quantum will be reduced;
- cash will be freed up for potential acquisitions in the Company's core business;
- it will also eliminate debt;
- it will reduce possible perceived conflict of interests in print management tenders;
- management time will be freed up which can be focused on the Company's core business; and
- working capital requirements/volatility will be reduced.

## **Disadvantages of the Transaction**

Potential disadvantages of the Transaction include:

- a loss of exposure to possible upturn in web print market - therefore profits and/or increased sale price in future;
- the Company will no longer be as close to an important service provision; and
- ongoing CTP purchase relationship between the Company and Kinkaid reduced to a three year supply agreement.

## **Consequences if Resolution 4 is not passed**

If Resolution 4 is not passed, the Company will retain its 50% shareholding in Kinkaid.

The Directors consider that there will be no major adverse affect on the Company if the Transaction does not proceed, although the Company will not realise the benefits of the Transaction, as outlined above.

## **Directors' interests in the Transaction**

The current directors of the Company are Wayne Sidwell (Chairman), Charles Anzarut, Kerry Smith and Amanda Brook.

Ms Brook has no interest in the Transaction.

Mr Smith has no interest in the Transaction, except in his capacity as a shareholder of the Company.

Mr Anzarut has an interest in the Transaction as he is also a director of Kinkaid Pty Ltd and a shareholder of the Company.

Mr Sidwell has an interest in the Transaction because:

- He is also a director of Kinkaid Pty Ltd;
- Well.com Pty Ltd (being the entity which is to purchase the Share pursuant to the Sale Agreement) is controlled by Mr Sidwell;
- Well.com Pty Ltd is a shareholder in the Company; and
- Wayne Sidwell is also a shareholder in the Company.

### **Directors' recommendations**

Each Director has considered and approved the convening of the meeting and the issue of the Notice.

Mr Anzarut has an interest in Resolution 4 as he is a director of Kinkaid Pty Ltd. Accordingly, Mr Anzarut makes no recommendation in relation to Resolution 4.

Mr Sidwell has an interest in Resolution 4 as he is a director of Kinkaid Pty Ltd and controls Well.com Pty Ltd. Accordingly, Mr Sidwell makes no recommendation in relation to Resolution 4.

For the reasons set out in this Explanatory Memorandum, each Director (other than Mr Anzarut and Mr Sidwell) considers that the Transaction is in the best interests of the Company and recommends that shareholders vote in favour of Resolution 4.

*The Chairman of the meeting will be voting any open proxies in favour of this resolution.*