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**2019**  
WELLCOM GROUP LIMITED  
**ANNUAL REPORT**





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2019 will be noted as the year where we enter the next phase of the great Wellcom story. Our fine results have demonstrated another solid global Wellcom team effort. Should the proposed acquisition announced on 31 July 2019 be approved, new ownership and increased capital will allow us to achieve the goals and objectives that would previously have been considered outside of our reach. To clients and staff, Wellcom enters a new era. I'm delighted with what we have achieved over the past 20 years and I'm very excited about what is still to be achieved in the future.

Our Wellcom family will join with the Innocean family, and I believe together we will build a highly successful partnership.

**Wayne Sidwell, Chairman**

## Board



As the marketing world transforms, Wellcom has remained committed to the founding core principles of meeting client challenges and exceeding client expectations – this has never wavered.

**Janette Kendall, Director**



For the past 14 years I have been privileged to be a director and a part of the exciting Wellcom journey. With a team of wonderfully talented people, great clients and a global focus, Wellcom can truly be described as an Australian success story.

**Charles Anzarut, Director**



Wellcom ... a true success story! Great people, great clients, great vision and a great business, and all perfectly set up for future success. It's been an honour to have served on the Wellcom Board.

**Kerry Smith, Director**



# Chairman's Report



As with 2018, I'm delighted to announce that we have maintained our ongoing corporate success with improved growth and shareholder returns.

Dear Fellow Shareholder,

I begin this report on a very positive note for several reasons. Firstly, our global business has enjoyed another very solid year. As with 2018, I'm delighted to announce that we have maintained our on-going corporate success with improved growth and high-value shareholder returns. To achieve this, we have carefully steered the businesses in line with our global strategic planning conferences, and the outcomes have always proven to be extremely effective.

Secondly, I'm delighted to report on reaching the 100th year anniversary from our original founders, dating back to 1916. To celebrate the anniversary, we produced a book commemorating this fine achievement which chronicles the company history as well as telling the story of the entire industry over the 20th century. One of the consistent observations of this proud historical story is the fact that change has been constant, and change was (and is) inevitable. Initially change was slow and moved in increments of several decades at a time. By the end of the second world war, change was reduced to a decade. By the 1980s change was every five years and remained so until today, where change happens annually.

The original business's grass-roots were found in photo-engraving and letterpress – both of which have long disappeared. But through the inventiveness of my forebears, I'm proud to say that from our small family business in Melbourne, giant global businesses such as Kodak in the US, and technology leaders Dr. Hell in Germany, sought out the small family company with requests to perform R&D on their new products and lead the world in their implementation. This transformed an entire industry sector – not just locally, but internationally. From that point on, the term 'first with the best' became synonymous with the family business. From 1949 onwards, the company was one of the first to introduce electronic scanners, the first to develop film media with machine film processing against the traditional glass plate processing that dated back to the nineteenth century. In the 1980s it was the first to

introduce a proprietary enterprise level desktop system that could create layouts, add typesetting, images on the page, on screen WYSIWIG final artwork, and combine it directly to bromide or film output. It was a proprietary combination of software and hardware that would prepare the company for the challenges of the 21st century and prepare the foundations for the beginnings for a business like Wellcom. At the same time the relationship with Kodak was re-kindled with Kodak again requesting local R&D on the world's first commercial digital photography system. In the next decade the family business introduced the first enterprise level retail product and image libraries, were the first to roll out national multimedia businesses and the first in Australia to create an online real estate portal.

The businesses changed names and management across the distance of time through technology change, industry change and service offering change. Of those 100 years I'm proud to say that I have represented half that journey starting as an apprentice in the business in 1968. Along with my brothers Garry and Peter, we joined our father Bill (Mr Bill) Sidwell and his brother (Uncle) Jack Sidwell and our Aunt Hazel's husband, Mr Tommy Johnson. Today, with my son Andrew Sidwell, we have proudly maintained the Sidwell name in the business and this will remain in the future.

Today, we successfully compete in a global arena. But in tomorrow's world, this company will have to move out of the middle ground and steadfastly move up into a bigger global league. As a result, the focus now is to build the business beyond a major global content creation and technology company, and to do this we need a partner who understands what it's like to work at that level.

To achieve this point requires change.

As announced on 31 July and subject to Shareholder and Court approval, we have entered into an agreement with Innocean Worldwide Inc. under which Innocean will assume control of the Wellcom business, in what I consider to be a coming together of two like-minded



**"TO GET TO THIS POINT WHERE A LARGE GLOBAL ORGANISATION SEEKS US OUT AND RECOGNISES THE VALUE IN THE BRAND SPEAKS VOLUMES FOR THE PEOPLE WHO WORK IN THE WELLCOM BUSINESS AND OF COURSE, THE VALUE OF OUR PROPRIETARY SOFTWARE TECHNOLOGY, KNOWLEDGEWELL"**

businesses. As with the Sidwell family business connection that filled much of those 100 years before us, we are proposing to join another family business (although publicly listed) that holds the same value of family as we do. While I fully appreciate that Wellcom is a public company, I like to think we treat everyone connected with the business as family. Everything about the proposed acquisition is for the right reasons, and I sincerely see this as a genuine win for everyone.

It's a win for Wellcom shareholders. It's a win for the Wellcom business and brand. It's a win for Wellcom staff and it's a win for our acquirers.

I will still hold a 15% shareholding and remain Executive Chairman for the next five years. There will be no

management regime change, and the new owners want the brand to remain unchanged. Their contribution in terms of providing content and capital investment will be invaluable for all Wellcom businesses globally.

Wellcom offers them an extension of services to their worldwide business that it doesn't have presently; but through the acquisition, they have identified it as a present and future requirement. This augurs very well for our business.

To get to this point where a large global organisation seeks us out and recognises the value in the brand speaks volumes for the people who work in the Wellcom business and of course, the value of our proprietary software technology, Knowledgewell.

Having built the Knowledgewell technology from the ground up in the early years of the business, it started life as an internal means of advancing the Wellcom services into the 21st technology age. Its primary function was to be a digital asset management and production support software tool. Within the first few years of its development cycle it took on legs of its own, and it was clearly destined to be a stand-alone product proposition. Functionality increased annually and Knowledgewell migrated into the realm of enterprise

# Chairman's Report (continued)

level marketing management where it became the industry differentiator between us and our competitors.

To bring together a total 360° Knowledgewell marketing management tool, a financial and business management extension was required called MRM (Marketing Resource Management). MRM allows for highly important marketing planning and management. Due to the complexity of building MRM, we looked at our options.

At the time there was a benchmark solution developed by a company called BrandSystems™ working out of Singapore and Bangalore, India. It was decided that in order for Knowledgewell to provide the full 360° offering as quickly as possible, that an exclusive licensing arrangement be negotiated for the software to be licensed under the Knowledgewell brand.

But it became very obvious that the BrandSystems™ arrangement should segue into an acquisition that would combine their extensive development resources and our internal development division. This year I'm very pleased to announce the highly strategic acquisition of BrandSystems™, which exponentially increases our development capacity and the Knowledgewell brand. We will run MRM under the Knowledgewell banner but also market BrandSystems™ under its own brand.

MRM offers a total operating framework that means campaign and project planning ideas, as well as objectives and data can be communicated clearly with a common language from one platform. It also provides invaluable insights into campaigns, budget control and analytics enabling resources to be allocated with greater accuracy, efficiency and avoiding duplication.

In the meantime, Knowledgewell development has been moving along at a rapid rate on the highly successful Buildwell component and the new upgrade is faster and provides far more features including process management automation.

It's been a challenging year full of negative news headlines including the volatile US political situation, BREXIT in the UK, the new unfolding melting pot in Hong Kong and the South China Seas, the North Korean situation, the Middle East, climate change issues and so the list goes on. All such happenings create shudders on Wall Street which transcend into the local stock markets globally. The result has seen retail slow-downs, market uncertainty and a lack of consumer confidence.

In spite of this, and taking on board our very careful strategic framework to work around such travails, we have enjoyed a solid year evenly spread across the entire global network.

Part of our ongoing strategic plan is to provide solutions

that cover the retail sector, finance, distribution, manufacturing and corporate.

New business gains have been very impressive. In the US we secured the DevaCurl, Under Armour, Estee Lauder and Tommy Hilfiger; in the UK we gained The Body Shop, deliveroo and Christie's; in Australia we secured Kayo, David Jones and, Jaguar-Land Rover.

Our advancement into digital and creative has increased further and all of our international hubs offer a digital solution as part of the media mix.

These in-house digital hub design studios, along with Knowledgewell, are the backbone of Wellcom. They represent the biggest revenue component for the business and are the epitome of client and supplier management. They create and deliver content for their host client directly to Facebook, YouTube, Vimeo, Instagram and all of the other digital platforms. Hub expertise is now represented by digital, consultancy, creative design, production and technology (Knowledgewell) globally.

The demand for digital and social media content was expected and top of the agenda of strategic topics at this year's annual senior executive conference held in Australia. The leading light has been our US business (thelab) which has been instrumental in leading the digital and creative charge and has been the pointer for the entire Group. Ably led by David Bridges, Max Oshman and Jared Domow, it produced some exemplary creative work and this was also reflected by the leadership of Andrew Sidwell, Rob Kaley and Bud Peart in Australasia, and Duncan Stokes, Jaime Adams and Gary Meade in the UK.

'Always on' media is the new age. Our clients demand it and we feed it. The appetite for digital media never rests and must be fed daily, hourly, or even by the minute. Artificial Intelligence has been recently added to our list of products and services and there will be a good deal of excitement and interest in this new medium.

The notion of 24/7 production across the globe remains a compelling offer for our clients and the 'Centre of Excellence' in Kuala Lumpur has fully enabled our resourcing strategy for overload work in all media, including digital.

Client retention has been positive. All of the infrastructure changes have been completed including the refurbishment of Port Melbourne, settling into Clerkenwell London, and the integration of Dippin' Sauce into thelab offices in New York and London.

When the Wellcom component of the 100-year history



'Always on' media is the new age. Our clients demand it and we feed it. The appetite for digital media never rests and must be updated daily, hourly, or even by the minute.

of the business was formed, I never for one moment envisaged that Wellcom would span the globe to reach a turnover of over \$100 million and around 600 employees from Europe to Asia, from Australasia to the United States. Even when we floated back in 2005, the partial float was merely to take advantage of any possible opportunities both locally and globally, that could be on offer. The capital was required to expand the proprietary Knowledgewell technology as well as the overall company footprint, with the purchases in the US, UK and New Zealand.

Digital is our future. With our potential new owners and partners, we are better placed than ever before to move into a bigger global space.

In reaching this point, I want to offer my personal thanks to the shareholders whose faith in the brand has given us the confidence to grow. I wish to thank sincerely all of these people, as well as the institutional shareholders and "mums and dads" who have been with us since our IPO in 2005.

To our staff and management who have worked with me and for me over many years, a big thank you. You have built the Wellcom business into a reputable global brand.

It's been an amazing, long and successful journey, and I believe, this is just the beginning.

Again, I wish to sincerely thank you all for your loyal support.

**Wayne W Sidwell**  
CHAIRMAN





# CEO's Report



Dear Shareholder,

Twelve months is not a long time in the ever-changing marketing landscape. Last year, I reported that our industry was changing at a rapid pace, and that the adoption of social media and digital creative content was unprecedented. No one will be surprised to learn that this has not changed, and in fact the speed and extent of demand, has increased even further.

This has truly given Wellcom momentum and I'm pleased to announce last year's fine result has been repeated with solid organic growth and new business wins across all regions of the Group. It has also been a great year for Wellcom Australasia, which has positively contributed to the group's results.

As a Group, we have always embraced change to ensure we are delivering innovative products and services to our customers. With this in mind, I am excited by the expected acquisition of the Wellcom Group by Innocean Worldwide.

While this may come as surprise to some, it was nonetheless the result of our success over many years to build our company into a contemporary creative and digital content agency. The Wellcom brand is an attractive investment, especially for any business

(foreign or local) that is strategically aligned to our business and looking to expand their digital and omni-channel content production. Supported by one of the world's leading proprietary technology systems in KnowledgeWell, Wellcom offers a perfect fit. It's a great result for the company, and offers us the capital and capacity that would be outside of our present position.

New competitors such as Deloitte Digital, PWC, and Accenture have moved into digital consultancy and now encroach into creative and content, which are core competencies we're also expanding.

Other competitors have also arisen and will become more dominate over the coming years with the convergence of media, communications and digital agencies. With Innocean's support, this culmination of strategic services will better position Wellcom to compete and grow.

The net result is that the Wellcom business and the Wellcom brand will remain unchanged, but will be in a better position to exploit new growth opportunities.

From my perspective it is a win for our staff and our clients and brings with it a capital injection to build on our service offering, and expand into new markets and industry sectors.

## Strategy

## Outcome

Further expansion of creative content services to existing customers

**This has been achieved**

Leveraging existing photographic infrastructure to drive video content for digital and social media

**Video and motion graphics has grown significantly**

Expanded interactive content capabilities (Augmented Reality, Virtual Reality, CGI and 3D motion).

**Under-way**

Continued roll-out of Hub re-engineering

**This has been achieved**

Operational excellence through automation of back-end processes and introduction of a cloud global file management

**Under-way**

Establishment of Customer Success teams for KnowledgeWell opportunities to existing clients

**Fully implemented**

Targeted global and regional RFP's for creative production de-coupling

**Under-way**

**"AS A GROUP, WE HAVE ALWAYS EMBRACED CHANGE TO ENSURE WE ARE DELIVERING INNOVATIVE PRODUCTS AND SERVICES TO OUR CUSTOMERS. WITH THIS IN MIND, I AM EXCITED BY THE EXPECTED ACQUISITION OF THE WELLCOM GROUP BY INNOCEAN WORLDWIDE."**

Demand for our services in Australia and New Zealand has been very encouraging – at both central site level and especially prevalent at hub level.

The onsite hub model continues to evolve - keeping pace with industry changes – and the Wellcom breadth of services in each hub continues to expand. This includes digital development, art direction, motion graphics, and copywriting. Augmenting these services is photography, videography, post production, and digital and content strategy.

Organic growth is a key Wellcom strategy and much energy goes into creating more value for our customers through the identification of complementary services and technology. To achieve this, we continued to apply the principles adopted last year to encourage organic growth. The table above shows the strategies initiated and the outcomes achieved.

# CEO's Report (continued)

This year we welcomed new clients Kayo, David Jones, Hungry Jacks, Fila, Challenger, Jaguar-Land Rover, and Charter Hall to name a few.

The adoption of decoupling from clients continues to be popular, as brands look to bring content production in-house. Marketers are looking for more ways to control their content, efficiency for speed to market, and cost effectiveness for greater investment in strategy and 'always-on' content. Wellcom's hub model has become increasingly sort after, where all of the aforementioned benefits are delivered constantly.

It has also been another year of expansion in our Technology division with the acquisition of BrandSystems™ MRM and the development of the next generation of Buildwell, our content automation software.

Although we have partnered with BrandSystems™ for the past few years, we have now brought together the talented teams of BrandSystems™ and Knowledgewell. With full integration and synergy, the MRM system has given us tremendous momentum in the SaaS market, aided by the fact that MRM is the fastest growing software product in the industry. BrandSystems™ will continue to be both a standalone platform, but also a function of the Knowledgewell suite of software products.

MRM completes the marketing operations software value chain for Knowledgewell, and provides our clients with a true end-to-end solution from briefing and planning to content management and execution.

As marketers continue to grapple with the growing complexity of their marketing communications plans, MRM provides clarity and oversight to even the most complicated marketing programs. It delivers an interactive and collaborative experience to help marketing teams plan and execute their programs, providing a strategic framework to leverage from. Furthermore, with the increase focus on personalised and targeted content, MRM allows a high degree of flexibility and agility to make strategic decisions to improve customer engagement and increase sales.

Buildwell Mk II is in the final stages of development and will allow marketers to reduce the direct and indirect costs of offer creative and content creation. By early next year, this will encompass both print, and digital and social content. Buildwell is the latest SaaS product offering in the Knowledgewell suite and one that we anticipate to be embraced by marketers looking to create more content, quickly and cost effectively.

The future of our proprietary technology will see the



**MRM has completed the marketing operations software value chain for Knowledgewell, and provides clients with a true end-to-end solution from briefing and planning to content management and execution.**

introduction of Artificial Intelligence (AI) and Machine Learning (ML), to further enhance Knowledgewell's ability to streamline processes and improve the optimisation of content. Expediting this development will be greatly assisted by the investment made by Innocean.

Our Print Management division also enjoyed another solid year. Our model of cost transparency and e-Procurement technology is perfect for today's climate of a shrinking manufacturing market and unrelentless inflation. We have delivered significant savings to our print customers, not only through our model, but by transitioning print collateral to digital content. This expansion of relevant services has created greater value to clients continually looking to improve the customer experience, and execute engaging and effective content to market.

I'd like to conclude by saying that I'm very excited about the future for Wellcom and believe the sale will accelerate our plans to expand our service offering and to growth into new markets. I would like to thank all my colleagues and staff for their dedication to the company over many years, and I'd also like to pay tribute to our loyal shareholders for their support.

**Andrew Sidwell**

CHIEF EXECUTIVE OFFICER  
AUSTRALIA / NEW ZEALAND

# Year in Review

Building on from last year's fine result, the global business divisions have delivered another solid performance with the business displaying continued growth.

One of the most important events for the year was the highly strategic acquisition of niche technology business BrandSystems™. This has brought one of the best technology marketing resource management platforms into the Knowledgewell suite of software solutions, and will remain marketed under its own brand. This is to capitalise on the fast growing SaaS (Software as a Service) market.

The thorough planning in recent years, has demonstrated that the strategies put in place have delivered as promised. This includes all aspects of the business, and across global territories.

The organic growth from hubs (in-house design studios) was a highlight, and the upscaling of hubs into a digital services provision model was as much about timing as it was about supporting client demand. All hubs have added digital and creative expertise, and the Wellcom business is now digital-centric compared to its once core business in print related activity. The advent of social media was identified as the future trend and the digital hub transition was recognised and actioned at exactly the right time.

New business globally has been excellent with high value brand clients from across a broad market spectrum.

The business case for decoupling is proven and it has brought about both organic growth with existing clients, and new business wins with the ability to upsell other services, which in turn adds to further organic growth.

**"THE BUSINESS CASE FOR DECOUPLING IS PROVEN AND IT HAS BROUGHT ABOUT BOTH ORGANIC GROWTH WITH EXISTING CLIENTS, AND NEW BUSINESS WINS WITH THE ABILITY TO UPSELL OTHER SERVICES, WHICH IN TURN ADDS FURTHER ORGANIC GROWTH"**

The figures for the period ending June 30 2019:

- Statutory revenues from continuing operations, this increased to \$160.95 million, up 4% on prior year
- Net revenues (excluding pass through costs) increased to \$120.43 million, up 12% on prior year
- Earnings before interest and tax increased to \$23.87 million, up 35% on prior year
- Net profit after tax, increased to \$15.6 million, up 33% on prior year
- Normalised net profit after tax, after one-offs, increased to \$13.28 million, up 13% on prior year
- Cash flows from operating activities of \$16.03 million were generated during the year
- Our Earnings per share rose to 39.77 cents up 33% over the previous year
- We hold minimal debt in the business, with borrowing less cash and cash equivalents of \$0.73 million

The business has delivered a significant amount of funds to shareholders during the year totalling 32 cents per share, including a special dividend of 10 cents per share, which represents a payout ratio of approximately 80% of full-year profits.

Future trends have exhaustively been examined with a clear pathway designed to take the business over the next five-year cycle and this includes:

- Growth in creative in-house studios
- Integrated creative, production and media strategy
- Content automation through technology
- Expanded consultation services

This has been another very pleasing result.



# Year in Review (continued)

## **Wellcom Australia and New Zealand in review**

2018-2019 has been very promising based around the core strategies put forward the previous year, and fully implemented in 2018-2019. For the second year running the biggest growth was seen in creative and digital production. To supplement the digital growth, Wellcom complemented it with the support services of photography, videography, animation and 3D. On top of this, retouching still remains a solid performer. As Andrew Sidwell (CEO Wellcom Australia and New Zealand) explains, "the demand for 'always on' content in social media is driving the growth in the digital market. This in turn drives the demand for Wellcom's ancillary products and services to support the total service offering."

Wellcom Australia / New Zealand has the biggest and largest number of photographic studios throughout the Group. These are located in Melbourne, Sydney and Auckland. A new trend has emerged this year where many of these studios are now being used for videography in addition to photography. Extending the Wellcom photographic offer further are automated product photography solutions. Full video production and editing is available at all Wellcom central sites and are fully integrated into the Wellcom cross-sell model.

New business was another strong point of the Australasian result with the addition of new clients Kayo, David Jones, Hungry Jacks, Tourism Fiji, Challenger and Jaguar-Land Rover.

Client marketing decoupling continues to be a new business front-runner, and Wellcom uses this strategy to further sell end-to-end service solutions beyond the original decoupled service.

## **Wellcom UK in review**

Last year the London operation went through its biggest transitional period ever. It included the move to new premises in Clerkenwell; the final (and most complex) integration of the Tesco business; launching Dippin' Sauce into London; and at the same time pursuing new business. It was a very satisfactory year for the London operation.

Knowledgewell is fully integrated in the UK office and the new Buildwell software (which will be launched late 2019), will make further in-roads into the local market. Dippin' Sauce UK has enjoyed its first full year and has already made a strong impression within the highly creative and demanding London advertising and marketing sectors.

New business covered off a diverse range of clients all with differing service requirements which typifies the ongoing success of de-coupling strategies. Clients include The Body Shop, deliveroo, Christie's and HomeAway (Expedia).

For 2019 the hard work put in by Duncan Stokes and his team has been well rewarded. Revenue and margin has increased, significant new business has come on board, and the prospects for London remain strong for growth.

## **Wellcom USA in review**

Wellcom USA includes creative digital business thelab, and one of the most high profile image creation studios in Dippin' Sauce. This year saw Dippin' Sauce move across to the thelab's New York offices, sharing infrastructure. Being in such close proximity enabled Dippin' Sauce to take up cross-sell opportunities, as well as service their own numerous and top-end clients. thelab also enjoyed another good year from their creative and production offices in New York and Los Angeles.

thelab and Dippin' Sauce are the Group's leading creative resource, and as such provide outstanding conceptual imagery and digital creation, and as equally important, digital strategic services.

Knowledgewell has been successfully and fully deployed into Southeastern grocers (US). New business was brisk with further global iconic brands coming into the fold including Under Armour, Estee Lauder, DevaCurl and Tommy Hilfiger.

## **Wellcom Asia 'Centre of Excellence' in review**

Ideally located in Kuala Lumpur's business district, Wellcom's 'Centre of Excellence' excels in producing all forms of content. Owned by Wellcom, managed by Wellcom and staffed by Wellcom, this niche business specialises in digital content, artwork and retouching. Being centrally positioned in Asia, it extends the global operating hours to 24/7. Supported by all Wellcom offices, the business has enjoyed yet another solid year.

## **Wellcom On-Site Hub Studios in review**

This service offering remains the foundation stone of the Wellcom business. In terms of revenue they still represent the lion's share of income, being comfortably positioned inside the client's business / marketing centre. Each hub represents a face-to-face account specialist service. The maturity with which these Wellcom resources operate has expanded rapidly, and Wellcom management has been strategically focussed



The demand for 'always on' content in social media is driving the growth in the digital market. This in turn drives the demand for Wellcom's ancillary products and services to support the total service offering.

on fast-tracking digital solutions as a key platform for all clients. From the hub perspective, the upsell of additional services is unparalleled and demonstrates just how hub services command such revenue flow-through.

### **Wellcom Knowledgewell in review**

Knowledgewell growth and new client adoption has continued. The acquisition of BrandSystems™ has been strategic in covering off the fast-growing SaaS market. BrandSystems™ Marketing Resource Management (MRM) has become a key plank for marketing managers globally.

With total Knowledgewell deployment across the globe, Wellcom has the tools to further sell into any market with a local proof of concept model available for local consumption and demonstration. The software covers all market segments including financial corporations, retailers, F.M.C.G. and distribution – there is no market where a Knowledgewell solution could not add significant value.

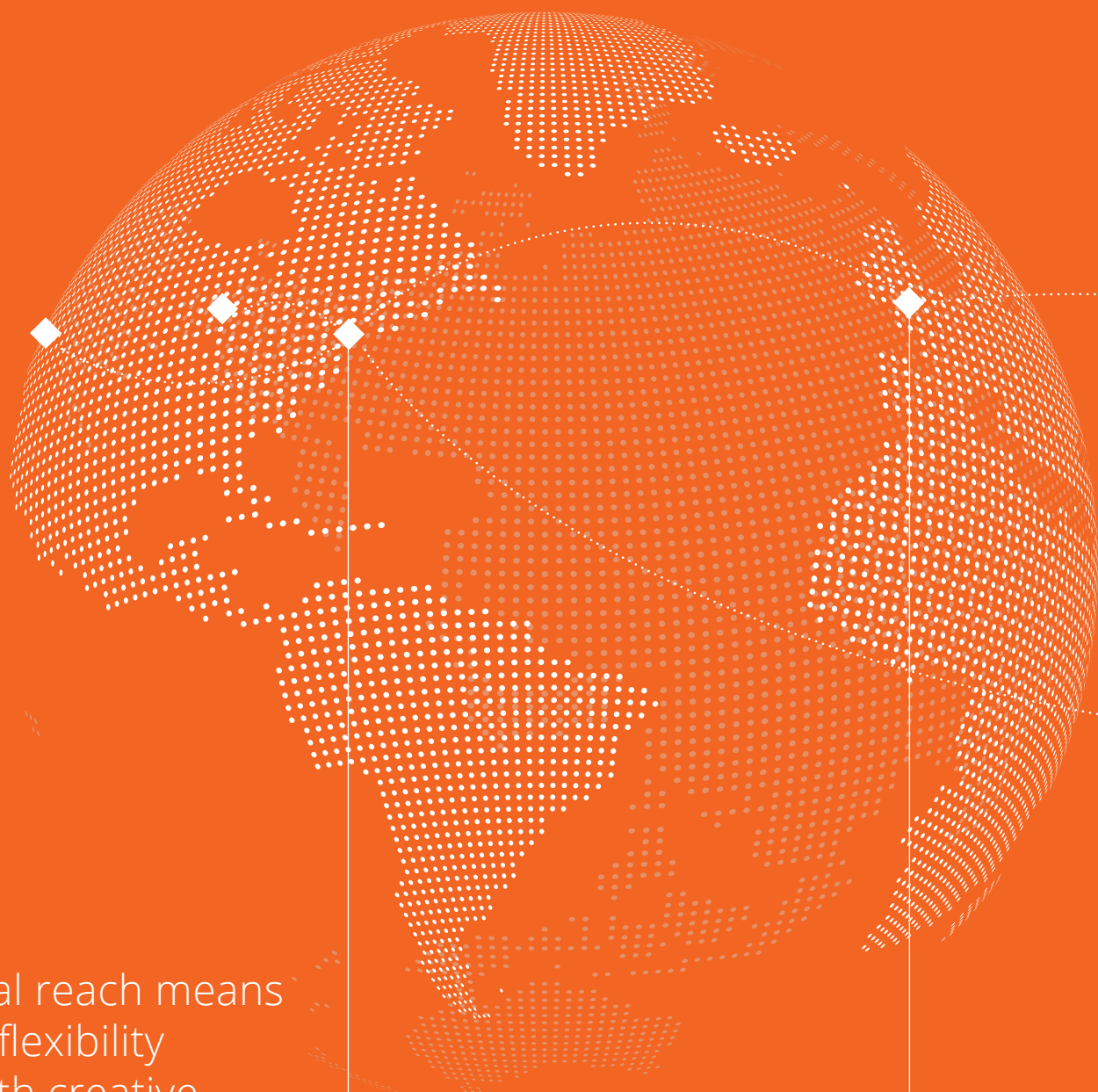
### **Wellcom Review Summary**

The 2019 result has been a fine result. Strategy has been key in maintaining new business and strong organic growth, while remaining focussed on improved revenue and margin. The result has been a global contribution spanning all regional businesses and Knowledgewell deployments. Decoupling has been a principal driver for new business, from which additional upsell business was derived. The hub model continues to grow and builds strong client loyalty.



Where we are

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Global reach means total flexibility in both creative and production management across all forms of content creation, across all time-zones, across all media.

**NORTH  
AMERICA**

**UNITED  
KINGDOM**



INDIA

MALAYSIA

AUSTRALIA

NEW  
ZEALAND



## New Business



Kayo

Kayo

The latest on-demand TV channel built exclusively for sport. There's also on-demand content and general programming, including discussion panels and entertainment shows. It provides the ability to have picture-in-picture mode where the viewer chooses their own game views.

**Wellcom Services  
Production**

## DAVID JONES

### David Jones

David Jones needs no introduction being one of Australia's most famous retail brands. With stores located across nation, this premium retailer is seen as a leading fashion destination with a growing online sales presence covering apparel, beauty, home, electrical and designer brands.

**Wellcom Services**  
**On-site studio & Photography**



### Jaguar-Land Rover

Two motoring legends, Jaguar Land Rover is a company that brings together two highly prestigious British car marques. After Tata Motors acquired Jaguar and Land Rover in 2008, it merged them into a single company. The Australian / New Zealand arms have flourished, selling the technological, innovative vehicles with great success.

**Wellcom Services**  
**Production**



### Under Armour

Under Armour is high quality sports apparel brand that challenges the concept of modern-day sports brands. It's designed to inspire sports consumers with performance solutions they never knew they needed and then can't imagine living without. This is the real thread that connects everyone at Under Armour.

**Wellcom Services**  
**Digital Marketing & Production**





## Estée Lauder

Founded in 1946, the Estée Lauder Companies Inc. is a multinational manufacturer and a marketer of prestige, recognisable and diverse portfolio of brands. Estée Lauder brands are sold internationally in more than 135 countries and territories through the channels of digital commerce and retail channels.

**Wellcom Services  
Production**



## DevaCurl

### DevaCurl

New York based Deva Curl is a leading haircare brand that dates back to 1994 when it opened a hair salon. From humble beginnings it expanded its hair-cutting and styling salons across America. A natural extension saw it launch its own range of high quality haircare grooming products.

**Wellcom Services  
Digital & Production**



## deliveroo

When CEO Will Shu moved to London in 2013 he discovered a city full of great restaurants, but was amazed that so few delivered food. He made it his mission to offer fast and reliable delivery which can be tracked on a phone. As a result, deliveroo has seen incredible revenue growth since its inception.

**Wellcom Services  
Production**







## The Body Shop

The Body Shop is one of the leading suppliers of body care products in the world. Started in Brighton, England in 1976, it was founded on the belief that a business could be a force for good. Since then The Body Shop has been rule breaking and never faking for over 40 years. Today it distributes into 20 countries worldwide.

**Wellcom Services**  
**Global Production**

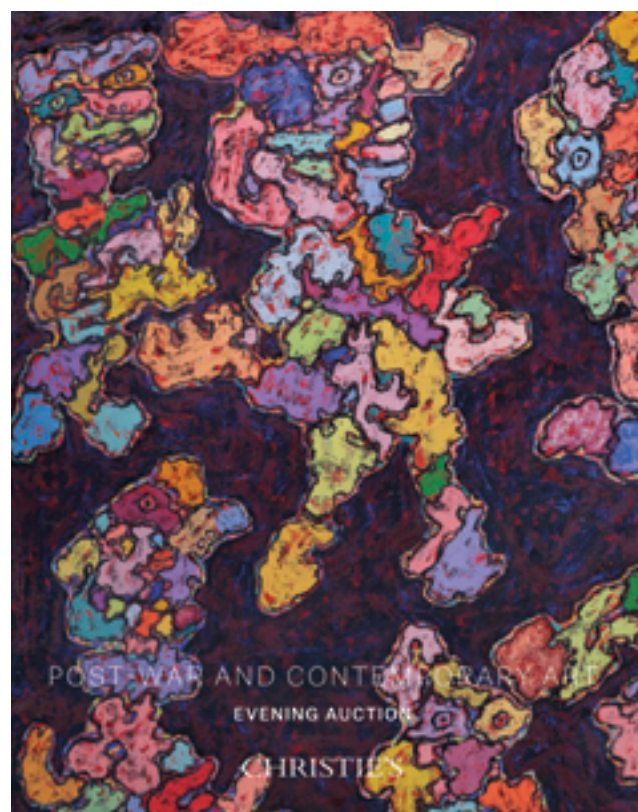


**CHRISTIE'S**

## Christie's

Christie's is a name and place that speaks of extraordinary art, unparalleled service, expertise and global reach. Founded in 1766 by James Christie, it has since conducted the greatest and most celebrated auctions through the ages. Christie's is represented in 46 countries, with 10 auction houses around the world.

**Wellcom Services**  
**Production**





# Technology



**Peter Svahn** General Manager BrandSystems™

**"MRM IS NOW SEEN AS AN ESSENTIAL TOOL TO STAY ON TOP OF MODERN MARKETING OPERATIONS AND IN 2016, INTERNATIONAL TECHNOLOGY AND ADVISORY COMPANY GARTNER, HIGHLIGHTED BRANDSYSTEMS™ AS A LEADING INNOVATIVE MRM TECHNOLOGY"**

The Marketing Resource Management (MRM) industry is growing rapidly on the back of marketers looking for greater control and insight into their advertising and other marketing activities. Omni-channel marketing and the growing importance of data, enables the targeting of consumers through the use of highly personalised content, which further raises the importance for brands to have an MRM solution.

For a time, MRM fell out of favour with marketers, who deemed it "administrative overkill and a waste of time". But to be fair, it was more to do with the software executions available at the time, rather than the solution. MRM is now seen as an essential tool to stay on top of modern marketing operations and in 2016, international technology and advisory company Gartner, highlighted BrandSystems™ as a leading innovative MRM technology.

Around 2015, Wellcom had seen the BrandSystems™ technology and understanding that MRM was the missing piece in the Knowledgewell suite of services, made the decision to take out an exclusive licencing arrangement rather than spend time, money and commit considerable resources developing it in-house. The BrandSystems™

MRM software had such impact with customers that Wellcom offered to acquire the business to complete the value chain of the Knowledgewell solution and in turn, provide a unique end-to-end marketing operations software to the market. Former founder and CEO Peter Svahn of BrandSystems™ has now joined Wellcom, and his operations in Bangalore, India have been added to the Knowledgewell development team.

## What is MRM?

Put simply, MRM offers a total operating framework that means campaign and project planning ideas, as well as objectives and data can be communicated clearly with a common language from one platform. This includes invaluable insights into campaigns, resource enablement and allocation with greater accuracy and efficiency, while at the same time avoiding duplication. There are three components in MRM being Planning, Budgeting and Analytics.

### MRM features:

- Gantt task and timing scheduling
- Marketing collaboration workflow
- Briefing processes management
- Expenditure planning
- Cost centre management
- Approval process
- Efficient planning & cross-channel marketing
- Budget tracker
- Collaborate with all stakeholders
- Assign resources
- Re-use campaigns, thoughts and projects
- Analyse campaign results

## Buildwell – 2<sup>nd</sup> Generation

Buildwell 2<sup>nd</sup> Generation is currently in BETA testing and its full release date will be towards the end of this year. It represents the most important upgrade to date, and extends its automation capabilities – that is, tasks and processes that were previously manual interventions, will be seamlessly integrated reducing effort required, and more importantly, time to perform tasks will be significantly reduced.

What has been seen (and acknowledged by clients) as a brilliant software tool presently, will become even better.

## Social Media



**SOCIAL MEDIA CONTINUES TO DRIVE CONTENT CREATION ACROSS THE WELLCOM GROUP. THE MULTIDISCIPLINARY TALENTS OF OUR TEAMS ENSURE WE'RE EQUIPPED TO CREATE CONTENT FOR A DIVERSE MIX OF CLIENTS.**



# Digital



This investment in user experience (UX) is now ingrained in our digital roadmap and will enable Wellcom to continue to expand its production capabilities across all digital channels.

Throughout 2018/2019 Wellcom has continued to invest and expand its digital services offering with a particular focus on user-centric design (UCD). Digital differs greatly from traditional advertising campaigns and requires a robust process that utilises cognition-centric design theory, agile processes, and extensive testing and validation.

User experience is important because it successfully provides for the users' needs in the final decision-making process. It also aims to provide positive experiences in order to keep a user loyal to the product and the brand. Creating a meaningful user experience allows our clients to define customer journeys around their product that are most conducive to business success.

There are also significant financial benefits for our clients to engage in empathy driven human centred design processes. This includes time wasted in development, customers lost because the user journeys were not thought through, and misalignment between design teams and developers that can cause huge budget blowouts. Taking the time to know your user and design to their needs mitigates this risk and validates your digital product.

This investment in user experience (UX) is now ingrained in our digital roadmap and will enable Wellcom to continue to expand its production capabilities across all digital channels.

Wellcom continue to work closely with clients in deploying successful digital and social campaign collateral. Through a combination of targeting analysis, 24/7 production capability, automation, integrated video and photography, in collaboration with creative specialisation, we continue to develop and deploy hundreds of personalised pieces of content with speed and quality.

There is a strong push within the business to continue to expand our digital service range and instil digital



best practice across the business. This extends across our varied business models and includes hub process modernisation, as well as serious investment in staff training, digital talent and ongoing technology.

Disruption continues at pace and we are expecting to see some interesting new advertising platforms evolve with the advent of native augmented reality (AR) functionality from Apple and Google. This will remove a considerable amount of cost and technical complexity including the design elements associated with immersive AR development.

The next few years will no doubt create some exciting challenges for the industry and Wellcom, and we look forward to continuing to evolve our digital service offering and push the boundaries of digital content creation.



# Video



Video continues to be one of the most effective elements in digital marketing as we roll into 2020, and with good reason. As visual creatures, we find videos more engaging, more memorable, and more popular than any other type of content out there. Video as a means of storytelling and advertising now goes beyond being a nice option; it's become a marketing necessity. With its ability to increase conversion and exposure, engaging and well-targeted video is what our clients need and expect.

Wellcom will continue to expand and augment its services as video content capture becomes more than merely a 'nice to have' — it's now the central pillar of content creation. It's for this reason that we have invested heavily in the right talent, technology and processes to ensure we can capture engaging content effectively, efficiently and with purpose. Transitioning our already strong photography services to hybrid capture services has been a central focus through 2019, and we are expecting to see further client uptake in the year ahead.

Hybrid Capture proactively considers multi-channel content from a single shoot. By streamlining production, image and video are simultaneously captured for a variety of formats, and importantly, at a lower cost. Not only do we meet the client's original brief, but we exceed it by capturing supplementary content for a range of possibilities—allowing marketers to confidently react to any unforeseen opportunities.

As we know, audiences are likely to lose engagement with content that is not channel-optimised, therefore the alignment between targeting and content creation is crucial for the execution of a successful campaign. For example, an Instagram collection and a print ad might use the same campaign creative, but both will need to be moulded to the particular channels' intrinsic needs.



**Video as a means of storytelling and advertising now goes beyond being a nice option; it's become a marketing necessity. With its ability to increase conversion and exposure, engaging and well-targeted video is what our clients need and expect.**

By integrating creative and production, we're able to closely manage every stage of a campaign ensuring each platform's requirements are met. Whichever way clients and their partners (both creative and media agencies) intend to amplify their content, our proactive planning ensures we're prepared to adapt to every facet of an integrated marketing campaign. This includes Instagram, DOOH, and POS to website displays and much more.

Brands utilising the power of hybrid capture will not only be able to create optimised content for each of their media channels, but will also be able to maintain a consistent brand aesthetic with cohesive content across multiple platforms. This ensures marketing budgets are optimised to generate stronger returns.

We expect to see strong video demand from our clients over the next 12 months and will continue to develop these services to stay ahead of consumer marketing trends in the years to come.



# Global Management



**Andrew Lumsden**

CFO  
Global COO  
Company Secretary



**Michael Bettridge**

Managing Director  
Wellcom Asia & Global  
Business Development Officer



**Andrew Sidwell**

CEO Wellcom  
Australia and New Zealand



**David Bridges**

thelab President & CEO Wellcom  
US



**Duncan Stokes**

Managing Director  
Wellcom UK



**Jared Domow**

Dippin' Sauce President  
Wellcom US



**Max Oshman**

Chief Digital Officer  
Wellcom US



**Melinda Phillips**

General Manager  
Victoria



**Rachel King**

General Manager  
NSW



**Gianni Carraro**

General Manager  
Digital House



**Grant Glover**

General Manager  
Malaysia



**Mark Sweetnam**

Chief Technology Officer



**Shaun Gray**

Global IT Solutions Manager



**Jason van Praagh**

IT Solutions Director (UK/US)



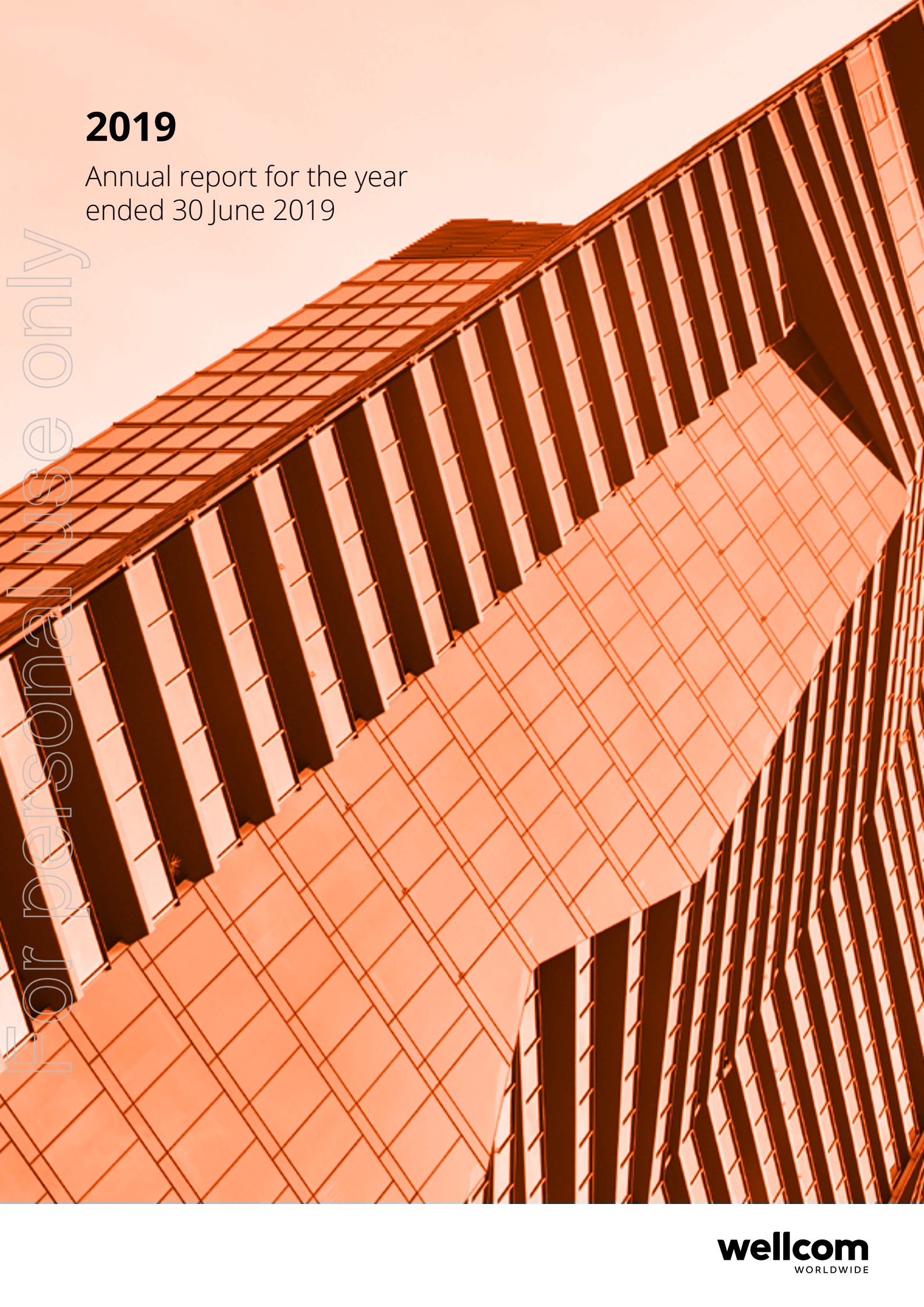
**Peter Svahn**

General Manager  
BrandSystems™



**Mark Strawbridge**

Operations Manager NZ

The background of the entire page is a complex, abstract geometric pattern in shades of orange and brown. It consists of numerous rectangular and triangular shapes that create a sense of depth and perspective, resembling a stylized architectural structure or a series of overlapping planes.

# 2019

Annual report for the year  
ended 30 June 2019

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# Annual report for the financial year ended 30 June 2019

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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 Group in this statement.

A description of the Group's main corporate governance practices is set out on the Company's website [www.wellcomworldwide.com](http://www.wellcomworldwide.com). All these practices, unless otherwise stated, were in place for the entire year and comply with the ASX Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

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## DIRECTORS' REPORT

The directors of Wellcom Group Limited ('the Company') submit herewith the annual financial report of the consolidated entity ('the Group'), consisting of the Company and the entities it controlled at the end of or during the year ended 30 June 2019.

## DIRECTORS

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

### W.W. Sidwell (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 currently serves on the Company's Remuneration Committee and was formerly a member of the Company's Audit Committee. Wayne has more than 50 years experience in the pre-media industry and serves 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. Charles holds the qualifications of LL.B and MBA and has acted as a commercial lawyer for over 35 years.

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

Kerry Brian Smith joined Wellcom Group Limited in March 2006 and acts as chairman of the Company's Audit committee. He is also a member of the Company's Remuneration Committee. Kerry is a graduate of the University of Sydney with a Bachelor of Economics and has been a member of the Institute of Chartered Accountants in Australia for over 40 years. He was Managing Director of Schroders Australia from 1996 to 2000, served on the Audit Committee from 1992 to 2000, and chaired the Risk Committee from 1996 to 2000. He was also formerly a director of SMS Management & Technology Limited and a member of its Audit Committee.

### J.A. Kendall (Non-executive Director)

Janette Anne Kendall was appointed as Director on the 27 January 2016. She was also appointed to the Company's Audit Committee on the 17 February 2016. Janette holds a Bachelor of Business - Marketing, is a Fellow of the Australian Institute of Company Directors, and has over 30 years Marketing and Operational experience. Janette has held various senior management roles in her career, including Senior Vice President of Marketing Galaxy Entertainment Group in Macau, China; Executive General Manager of Marketing at Crown Melbourne; and Managing Director of Clemenger Digital and Clemenger Proximity. She is currently a director of Vicinity Centres RE Ltd, KM Property Fund, Costa Group Holdings Limited and the Melbourne Theatre Company.

## COMPANY SECRETARY

### A.S. Lumsden (Company Secretary)

Andrew Stuart Lumsden was appointed as Company Secretary and Chief Financial Officer of the Group on 25 January 2013. Andrew was also appointed to the position of Global Chief Operating Officer on 1 July 2014. He holds a Masters in Accountancy and Finance, and is a Chartered Accountant and an Associate of the Governance Institute of 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:

	Number of Shares
W.W. Sidwell	18,312,878*
C.A. Anzarut	20,000*
K.B. Smith	20,000*
J.A. Kendall	5,000*

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

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

	2019 \$'000	2018 \$'000
Final dividend for the year ended 30 June 2018 of 11 cents per fully paid ordinary share paid on 14 September 2018 (2017: 13.5 cents)	4,311	5,291
Interim dividend for the half year ended 31 December 2018 of 11 cents per fully paid ordinary share paid on 15 March 2019 (2018: 35 cents, inclusive of a 25 cents special dividend)	4,315	13,716
	<b>8,626</b>	<b>19,007</b>

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 2019 of 11 cents per fully paid ordinary share. The dividend was declared on 20 August 2019, with a record date of 6 November 2019, to be paid on 27 November 2019 out of retained profits at 30 June 2019. The dividend will be fully franked.

Directors have also recommended to pay a special dividend of 10 cents per fully paid ordinary share. The dividend was declared on 20 August 2019, with a record date of 6 November 2019, to be paid on 27 November 2019. The dividend will be fully franked.

## PRINCIPAL ACTIVITIES

During the year the principal activities of the Group were:

The provision of advertising and marketing content production and content management services in Australia, the United Kingdom, New Zealand, Asia and the United States of America encompassing the following services:

- Advertising and Marketing Content Production Services;
- Design, Artwork and Retouching;
- Content Management Services;
- Digital Photography;
- Television Production;
- Digital Print; and
- Computer to Plate (CTP) Production.

## OPERATING AND FINANCIAL REVIEW

### Operating results for the year

The Group recorded statutory revenue of \$160,949k (2018: \$155,166k), representing an increase of 4% over the previous financial year, with net revenue (excluding print management pass through costs) of \$120,430k (2018: \$107,618k) representing an increase of 12% over the same period. Revenues increased in each of Wellcom's operating segments (Australasia, United States and United Kingdom), with contributions from new business wins including David Jones (Australia), Countdown (NZ), Southeastern Grocers (US), HomeAway - Expedia (UK), The Body Shop International (UK) and Christie's (UK).

EBITDA from continuing operations increased by 36% to \$27,811k (2018: \$20,486k) with EBIT from continuing operations increasing by 35% to \$23,867k (2018: \$17,676k), and NPAT from continuing operations increasing 33% to \$15,602k (2018: \$11,724k).

The effective tax rate for the Group was 33% (2018: 33%).

As reported on 23 July 2019, the Group result was influenced by a number of non-trade performance related impacts in the year to 30 June 2019, as detailed below:

- As of 30 June 2019 management reached a buyout agreement with the landlord of Wellcom's existing US commercial property lease. The terms of the agreement are such that the Group recognised a net benefit before tax of approximately \$6,706k in the year ended 30 June 2019. At the same time as entering into the buy-out agreement, management entered into a new long-term commercial property lease in Brooklyn, New York, which will form the base for Wellcom's US operations for the years to come.
- Partially offsetting the gain on the property lease buyout are a number of non-recurring costs incurred during the period, including dilapidation costs relating to Wellcom London's former commercial property lease; acquisition related costs incurred in respect of the Scheme Implementation Deed entered into with Innocean (see below), and costs associated with the relocation of a major client from Columbus, Ohio to New York.

The net after tax effect of the above adjustments, together with incremental management incentives driven by the improvement in EPS, was \$2,327k, resulting in a normalised NPAT for the Group of \$13,275k. This represents an increase of 13% over the previous financial year.

### Shareholders' returns

The shareholder returns presented below are based on results from continuing operations.

	<b>2019</b>	2018
Basic earnings per share (cents)	<b>39.77</b>	29.92
Return on net assets (%)	<b>22.46</b>	19.40
Dividend payout ratio - including special dividends	<b>80.46</b>	153.77

### Liquidity and financial condition

The Group generated \$16,027k in cash from operating activities for the year ended 30 June 2019 (2018: \$15,093k). As at 30 June 2019 the Group has borrowings less cash and cash equivalents of \$725k.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs during the year and up to the date of this report, with the exception of those matters previously outlined under the heading of Operating and Financial Review above.

### MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As announced on 31 July 2019, Wellcom has entered into a Scheme Implementation Deed (SID) with Innocean Worldwide Inc (Innocean) (KRX: 214320) under which Innocean has agreed to acquire 85% of the issued share capital of Wellcom for \$6.70 in cash per share (Scheme Consideration) by way of a scheme of arrangement (Scheme) that is subject to Wellcom shareholder approval and court approval in accordance with the requirements of Part 5.1 of the *Corporations Act 2001* (Cth). The Scheme Consideration values Wellcom at \$265.8 million on a fully-diluted basis. Further information regarding the Scheme together with a copy of the Scheme Implementation Deed can be found in within the documentation lodged with the Australian Securities Exchange (ASX) on 31 July 2019.

The directors' of Wellcom Group Limited declared a final dividend on ordinary shares in respect of the 2019 financial year on 20 August 2019. The total amount of the dividend is \$4,315k which represents a fully franked dividend of 11 cents per share. The dividend has not been provided for in the 30 June 2019 financial statements.

In addition to the final dividend, Directors have declared a fully-franked special dividend of 10 cents per share, the total amount of the special dividend is \$3,923k. The dividend has not been provided for in the 30 June 2019 financial statements.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Group's state of affairs in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Subject to global economic conditions the Group's strong client base is expected to provide the basis for growth in the next financial year.

Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this annual financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

## ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group's operations are not subject to significant environmental regulations under the laws of the Commonwealth or State.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Wellcom Group Limited paid a premium of \$160,250 (2018: \$63,000) to insure the directors, officers and senior management of the Company and its controlled entities.

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 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 2019, together with the number of meetings attended by each director during that period were as follows:

	Directors' Meetings		Committee Meetings			
			Audit		Remuneration	
	Held	Attended	Held	Attended	Held	Attended
W.W. Sidwell	10	10	N/A	N/A	1	1
C.A. Anzarut	10	10	2	1	1	1
K.B. Smith	10	10	2	2	1	1
J.A. Kendall	10	10	2	2	N/A	N/A

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and other key management personnel of 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*.

### a) Key management personnel covered in this report

*Non - executive directors*

**W.W. Sidwell**

**C.A. Anzarut**

**K.B. Smith**

**J.A. Kendall**



*Other key management personnel*

Name	Position
<b>A. Sidwell</b>	Chief Executive Officer of Australia and New Zealand
<b>A. Lumsden</b>	Company Secretary, Chief Financial Officer and Global Chief Operating Officer
<b>M. Bettridge</b>	Managing Director, Asia and Global Business Development Officer
<b>D. Stokes</b>	Managing Director, UK
<b>D. Bridges</b>	Managing Director, US

**b) Remuneration policy and link to performance***Remuneration philosophy*

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 oversee the Company's remuneration framework and ensure the following criteria are satisfied:

- competitiveness to attract and ensure retention of high calibre executives and directors;
- reasonableness, fairness and consideration of market guidelines;
- appropriateness of performance criteria linked to variable executive remuneration;
- established relationship between executive rewards, alignment to the Group's business strategy and performance and increased shareholders' value; and
- transparency and shareholders' approval of compensation arrangements.

The Corporate Governance Statement provides further information on the role of the Remuneration Committee.

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.

*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 Group whilst incurring a cost that is acceptable to shareholders. The remuneration paid to directors is reviewed annually.

*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 year, each non-executive director received a set fee for being a director of the Company. The non-executive directors do not receive retirement benefits other than superannuation, nor do they participate in any incentive programs.

### Key executive remuneration

#### *Objective*

The Board seeks to set remuneration for key management personnel at a level commensurate with their position within the Group and the inherent responsibilities therein. Remuneration is reviewed annually by the Remuneration Committee which reports to the Board. The Remuneration Committee conducts a review of Group-wide data, business unit and individual performance, relevant comparative market and internal remuneration and the level of shareholder returns generated.

#### *Structure*

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

Short-term and long-term incentives are designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. Payments are granted to executives based on specific annual targets and key performance indicators ('KPI') being achieved. KPI includes profit contribution, customer satisfaction and leadership contribution and management. Performance in relation to the KPI is assessed annually, with bonuses being awarded depending on the achievement of the KPI. Following the assessment, the KPI are reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholders' wealth, before the KPI are set for the following year. In determining whether or not a financial KPI has been achieved, the Company bases the assessment on audited figures.

#### *Remuneration framework*

Element	Purpose	Performance metrics	Potential value
Fixed remuneration (FR)	Provide competitive market salary including post-employment and non-monetary benefits.	Nil.	Positioned at market rate.
Short term incentive (STI)	Reward for in-year performance.	(1) the overall financial performance of the Group; (2) the financial performance of individual responsibility centres; and (3) performance based on quantitative and qualitative measures not connected to individual profit centres	Management personnel (excluding directors) will be entitled to up to 30% of their FR.
Long term incentive (LTI)	Alignment to long-term shareholder value.	Earnings per share performance against a compound annual growth rate across three years.	Executive KMP (at the boards discretion) will be entitled up to 50% of their FR.

#### **c) Elements of remuneration**

##### *(i) Fixed annual remuneration (FR)*

Key management personnel are given the opportunity to receive their fixed remuneration in a variety of forms including cash, post-employment benefits 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. All remuneration paid to key management personnel is valued at the cost to the Group and expensed.

The following FR's were approved by the Board

<b>Key management personnel</b>	<b>1 July 2019</b>	<b>1 July 2018</b>
A. Lumsden	<b>435,000</b>	400,000
M. Bettridge	<b>410,000</b>	390,000
A. Sidwell	<b>400,000</b>	350,000
D. Stokes *	<b>289,488</b>	312,392
D. Bridges **	<b>768,586</b>	659,596
	<b>2,303,074</b>	2,111,988

\* Paid in UK Sterling and translated at the average exchange rate for the year.

\*\* Paid in US Dollars and translated at the average exchange rate for the year.

(ii) Short-term incentives

<b>Feature</b>	<b>Description</b>
<b>Opportunity / Allocation</b>	Key management personnel (other than directors): 30% of fixed remuneration.
<b>Performance metrics</b>	The STI metrics align with our strategic priorities of market competitiveness, operational excellence, shareholder value and retaining talented and engaged people.
	<b>Metric</b>
	Group financial year EBIT targets, including growth on prior reporting period.
	Individual areas of responsibility financial year EBIT targets, including growth on prior reporting period.
	Performance based on quantitative and qualitative measures not connected to individual profit centres.
<b>Delivery of STI</b>	100% of the STI award is paid in cash subsequent to audited financial year results.
<b>Board discretion</b>	The Board has discretion to adjust remuneration outcomes up or down to prevent any inappropriate reward outcomes, including reducing (down to zero, if appropriate) any deferred STI award.

The following STI's were approved by the Board in relation to the year ended 30 June 2019:

<b>Key management personnel</b>	<b>Performance criteria 1</b>	<b>Performance criteria 2</b>	<b>Performance criteria 3</b>	<b>Total incentive paid/payable</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
A. Lumsden	<b>60,000</b>	<b>60,000</b>	-	<b>120,000</b>
M. Bettridge	<b>58,500</b>	<b>58,500</b>	-	<b>117,000</b>
A. Sidwell	<b>26,250</b>	-	<b>26,250</b>	<b>52,500</b>
D. Stokes *	-	<b>21,983</b>	<b>17,822</b>	<b>39,805</b>
D. Bridges **	<b>106,903</b>	<b>106,903</b>	-	<b>213,806</b>
	<b>251,653</b>	<b>247,386</b>	<b>44,072</b>	<b>543,111</b>

\* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2019.

\*\* Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2019.

The following STI's were approved by the Board in relation to the year ended 30 June 2018:

Key management personnel	Performance criteria 1 \$	Performance criteria 2 \$	Performance criteria 3 \$	Total incentive paid/payable \$
A. Lumsden	27,750	27,750	-	55,500
M. Bettridge	27,000	27,000	-	54,000
A. Sidwell	-	-	30,000	30,000
D. Stokes *	-	-	34,710	34,710
D. Bridges **	49,336	98,671	-	148,007
	104,086	153,421	64,710	322,217

\* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2018.

\*\* Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2018.

(iii) Long-term incentives

Executive KMP participate, at the board's discretion, in the LTI plan comprising of awarded shares which are subject to earnings per share performance over a three (3) year period.

Feature	Description										
<b>Opportunity / Allocation</b>	LTI opportunity is up to 50% of fixed remuneration. The opportunity quantified by shares based on the KMP's LTI opportunity / 30 day VWAP as at grant date.										
<b>Performance metrics</b>	<p>EPS is assessed over 3 years, with a maximum tranche of one third of the LTI opportunity vesting each financial year. Targets will be based on the CAGR metric as outlined below.</p> <table> <tr> <th>The Group's EPS CAGR</th><th>Proportion of the annual tranche awards that satisfy the EPS vesting condition</th></tr> <tr> <td>EPS CAGR is less than 5%</td><td>0%</td></tr> <tr> <td>EPS CAGR is equal to 5%</td><td>25%, less the vested proportion</td></tr> <tr> <td>EPS CAGR is more than 5% and less than 10%</td><td>between 25% and 100%, as determined on a straight line basis, less the vested proportion</td></tr> <tr> <td>EPS CAGR is equal to or greater than 10%</td><td>100%, less the vested proportion</td></tr> </table>	The Group's EPS CAGR	Proportion of the annual tranche awards that satisfy the EPS vesting condition	EPS CAGR is less than 5%	0%	EPS CAGR is equal to 5%	25%, less the vested proportion	EPS CAGR is more than 5% and less than 10%	between 25% and 100%, as determined on a straight line basis, less the vested proportion	EPS CAGR is equal to or greater than 10%	100%, less the vested proportion
The Group's EPS CAGR	Proportion of the annual tranche awards that satisfy the EPS vesting condition										
EPS CAGR is less than 5%	0%										
EPS CAGR is equal to 5%	25%, less the vested proportion										
EPS CAGR is more than 5% and less than 10%	between 25% and 100%, as determined on a straight line basis, less the vested proportion										
EPS CAGR is equal to or greater than 10%	100%, less the vested proportion										

The following LTI's were approved by the Board in relation to the year ended 30 June 2019:

	Performance Rights Granted		Rights Vested		Rights Forfeited		Balance of unvested rights	
	Number	Value	Number	%	Number	%	Number	\$
A. Lumsden	45,771	200,000	14,275	33	-	-	60,047	261,681
M. Bettridge	44,626	195,000	13,889	33	-	-	58,516	255,011
A. Sidwell	40,049	175,000	11,189	33	-	-	51,237	223,337
D. Bridges	85,151	372,074	25,581	33	-	-	110,731	482,580

The following LTI's were approved by the Board in relation to the year ended 30 June 2018:

	Performance Rights Granted		Rights Vested		Rights Forfeited		Balance of unvested rights	
	Number	Value	Number	%	Number	%	Number	\$
A. Lumsden	42,826	185,000	14,275	33	-	-	28,551	123,340
M. Bettridge	41,668	180,000	13,889	33	-	-	27,779	120,005
A. Sidwell	33,566	145,000	11,189	33	-	-	22,377	96,669
D. Bridges	76,742	331,525	25,581	33	-	-	51,161	221,016



#### d) Link between remuneration and performance

The table below shows measures of the Group's financial performance over the last five years as required by the *Corporations Act 2001*. We aim to align our management remuneration to our strategic and business objectives and the creation of shareholder wealth. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

	2015	2016	2017	2018	2019
STI as a % of target (%)	50.2	82.2	14.3	34.5	84.4
LTI as a % of target (%)	-	-	-	100.0	100.0
EBIT (\$'000)	13,898	16,443	15,965	17,676	23,867
EPS (cents)	24.9	28.3	27.1	29.9	39.8
Dividends paid/payable (cents per share)	20.5	22.5	23.0	46.0	22.0
Share price at the end of the financial year (cents)	3.81	4.70	4.40	4.40	5.45
Change in share price between the start and the end of the financial year (%)	31.8	23.4	(6.4)	-	23.9

#### e) Remuneration expenses for directors and executive KMP

Details of the remuneration of key management personnel of the Group for the year ended 30 June 2019 are set out in the table below (Table 1).

**Table 1**

Name	Fixed Remuneration				Variable Remuneration		Total \$	Risk %
	Cash salary \$	Non-cash benefits \$	Post employment benefits \$	Long service leave \$	Cash Bonus \$	Share Bonus \$		
<i>Non-executive directors</i>								
W.W. Sidwell	95,068	-	24,932	-	-	-	120,000	-
C.A. Anzarut	79,909	-	15,091	-	-	-	95,000	-
K.B. Smith	70,320	-	24,680	-	-	-	95,000	-
J.A. Kendall	86,758	-	8,242	-	-	-	95,000	-
<b>Sub-total non-executive directors</b>	<b>332,055</b>	<b>-</b>	<b>72,945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>405,000</b>	<b>-</b>
<i>Other KMP</i>								
A. Lumsden	409,118	-	20,049	14,089	120,000	61,667	624,923	29.1
M. Bettridge	373,127	13,491	20,049	13,751	117,000	60,000	597,418	29.6
A. Sidwell	363,363	8,255	20,049	16,573	52,500	48,333	509,073	19.8
D. Stokes*	313,611	-	15,681	-	39,805	-	369,097	10.8
D. Bridges**	753,363	25,162	2,365	-	213,806	110,510	1,105,206	29.3
<b>Total KMP compensation</b>	<b>2,544,637</b>	<b>46,908</b>	<b>151,138</b>	<b>44,413</b>	<b>543,111</b>	<b>280,510</b>	<b>3,610,717</b>	<b>22.8</b>

\* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2019.

\*\* Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2019.

Details of the remuneration of key management personnel for the Group for the year ended 30 June 2018 are set out in the table below (Table 2).

Table 2

Name	Fixed Remuneration				Variable Remuneration		Total \$	Risk %
	Cash salary \$	Non-cash benefits \$	Post employment benefits \$	Long service leave \$	Cash Bonus \$	Share Bonus \$		
<i>Non-executive directors</i>								
W.W. Sidwell ^	336,154	-	24,932	(145,682)	-	-	215,404	-
C.A. Anzarut	82,192	-	12,808	-	-	-	95,000	-
K.B. Smith	70,320	-	24,680	-	-	-	95,000	-
J.A. Kendall	86,758	-	8,242	-	-	-	95,000	-
<b>Sub-total non-executive directors</b>	575,424	-	70,662	(145,682)	-	-	500,404	-
<i>Other KMP</i>								
A. Lumsden	374,951	-	20,049	9,040	55,500	61,667	521,207	22.5
M. Bettridge	351,568	13,383	20,049	15,772	54,000	60,000	514,772	22.1
A. Sidwell	311,696	8,255	20,049	12,734	30,000	48,333	431,067	18.2
D. Stokes*	314,823	-	15,620	-	34,710	-	365,153	9.5
D. Bridges**	634,558	23,217	1,958	-	148,007	110,510	918,250	28.2
<b>Total KMP compensation</b>	2,563,020	44,855	148,387	(108,136)	322,217	280,510	3,250,853	18.5

^ As of the 1 September 2017 Wayne Sidwell transitioned from executive chairman to non-executive chairman.

\* Paid in UK Sterling and translated at the average exchange rate for the year ended 30 June 2018.

\*\* Paid in US Dollars and translated at the average exchange rate for the year ended 30 June 2018.

#### f) Contractual arrangements for executive KMP

All 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 by giving 6 months written notice. Where such notice is provided by either the executive or the Company, the Company may request the executive refrain from performing their 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.

**g) Key management personnel equity holdings****Fully paid ordinary shares held in Wellcom Group Limited****Year ended 30 June 2019**

	Opening balance 1 July 2018	Received as remuneration	Other changes	Closing balance 30 June 2019	Balance held nominally
<b>Directors</b>					
W.W. Sidwell	18,312,878	-	-	18,312,878	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
J.A. Kendall	5,000	-	-	5,000	-
	<b>18,357,878</b>	<b>-</b>	<b>-</b>	<b>18,357,878</b>	<b>-</b>
<b>Other key management personnel</b>					
A. Lumsden	56,212	14,276	-	70,488	-
M. Bettridge	-	13,890	-	13,890	-
A. Sidwell	80,000	11,189	-	91,189	-
D. Stokes	-	-	-	-	-
D. Bridges	-	-	-	-	-
	<b>136,212</b>	<b>39,355</b>	<b>-</b>	<b>175,567</b>	<b>-</b>
	<b>18,494,090</b>	<b>39,355</b>	<b>-</b>	<b>18,533,445</b>	<b>-</b>

**Year ended 30 June 2018**

	Opening balance 1 July 2017	Received as remuneration	Other changes	Closing balance 30 June 2018	Balance held nominally
<b>Directors</b>					
W.W. Sidwell	18,262,140	-	50,738	18,312,878	-
C.A. Anzarut	20,000	-	-	20,000	-
K.B. Smith	20,000	-	-	20,000	-
J.A. Kendall	5,000	-	-	5,000	-
	<b>18,307,140</b>	<b>-</b>	<b>50,738</b>	<b>18,357,878</b>	<b>-</b>
<b>Other key management personnel</b>					
A. Lumsden	60,000	-	(3,788)	56,212	-
M. Bettridge	-	-	-	-	-
A. Sidwell	80,000	-	-	80,000	-
D. Stokes	-	-	-	-	-
D. Bridges	-	-	-	-	-
	<b>140,000</b>	<b>-</b>	<b>(3,788)</b>	<b>136,212</b>	<b>-</b>
	<b>18,447,140</b>	<b>-</b>	<b>46,950</b>	<b>18,494,090</b>	<b>-</b>

**h) 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 related entities.

	2019	2018
	\$	\$
<b>Expenses</b>		
Legal fees (a)	<b>48,775</b>	11,107
Rent (b)	<b>993,037</b>	1,028,110
<b>Total recognised as expenses</b>	<b>1,041,812</b>	1,039,217

Aggregate amounts of assets and liabilities at the end of the reporting period relating to the above types of other transactions with directors of their personally related entities:

Current liabilities	<b>8,499</b>	1,214
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(a) A director, Mr C.A. Anzarut, is a partner in the firm of Anzarut & Partners. Anzarut & Partners have provided legal services to Wellcom Group Limited for several years on normal and commercial terms and conditions.

(b) The Company leases two buildings (reduced from three buildings on 21 July 2017) owned by a superannuation fund the assets of which the Chairman, Mr Wayne Sidwell, is a beneficiary. The rental agreements are based upon normal commercial terms and conditions and rents have been determined by independent valuation.

END OF THE AUDITED REMUNERATION REPORT



### **AUDITOR INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is included on page 41 of the financial report.

### **NON-AUDIT SERVICES**

The Group's auditor, HLB Mann Judd, did not provide any non-audit services to the consolidated entity during the year ended 30 June 2019.

### **ROUNDING OF AMOUNTS**

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors



**W.W. Sidwell**

Chairman

Melbourne, 20 August 2019



### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the consolidated financial report of Wellcom Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

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

*HLB Mann Judd*

**HLB Mann Judd**  
**Chartered Accountants**

*Nick Walker*

**Nick Walker**  
**Partner**

Melbourne  
20 August 2019



## Independent Auditor's Report to the Members of Wellcom Group Limited

### REPORT ON THE AUDIT OF THE FINANCIAL REPORT

#### Opinion

We have audited the financial report of Wellcom Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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## Key Audit Matters

## How our audit addressed the key audit matter

### Impairment Considerations over Goodwill

Refer to Notes 2(n) Goodwill and 2(o) Impairment of Assets

As at 30 June 2019, the Group's intangible asset balance included Goodwill with a carrying value of \$51.7 million. The accounting treatment for Goodwill is outlined in note 2(n).

Goodwill is held at cost and tested for impairment at each reporting period. Management assessed the recoverable amount of each cash-generating unit by performing a value in use calculation. These calculations use cash flow projections based on financial budgets approved by management, covering a five year period. Cash flows beyond the five year period are extrapolated using a steady estimated growth rate. The growth rate does not exceed the long term average growth rates for the business in which each cash generating unit ("CGU") operates.

Management's assessment of the recoverability involved the exercise of significant estimates and judgments including, amongst others, the following factors:

- estimating expected cash flows over a 5 year period, applying appropriate growth rates and determining an adequate terminal value;
- estimating ongoing costs associated with each CGU; and
- determining an appropriate discount rate.

Our procedures in relation to the accounting treatment of Goodwill and associated impairment considerations included, but were not limited to, the following:

- assessed the adopted accounting treatment against the requirements of AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets*;
- obtained management's adopted impairment model ("the model") and checked the mathematical accuracy of formulae and calculations in the model, including separate discounted cash flow assessments for Australasia, UK and USA;
- performed sensitivity analysis over key assumptions utilised and judgements made (i.e. discount rate used, expected growth rates, ongoing costs) in the model taking into consideration our knowledge of the Group's operations and with reference to available external data; and
- assessed if the Group's adopted disclosures met with the requirements of applicable Australian Accounting Standards.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON THE REMUNERATION REPORT

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 39 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Wellcom Group Limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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.

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

**HLB Mann Judd**  
Chartered Accountants

A handwritten signature in blue ink that appears to read 'Nick Walker'.

**Nick Walker**  
Partner

Melbourne  
20 August 2019

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 47 to 94 are in accordance with the *Corporations Act 2001*, including:
  - i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, 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.

Note 2(a) states that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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*.

This declaration is made in accordance with a resolution of the directors.



**W.W. Sidwell**  
Chairman

Melbourne, 20 August 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
<b>Continuing operations</b>			
Revenue	3(a)	<b>160,949</b>	155,166
Other income	3(b)	<b>8,938</b>	694
Raw materials and consumables		<b>(61,524)</b>	(65,035)
Occupancy expenses		<b>(8,226)</b>	(8,291)
Employee benefits expense	3(c)	<b>(64,861)</b>	(56,444)
Depreciation, amortisation and impairment	3(d)	<b>(3,944)</b>	(2,810)
Finance costs	3(e)	<b>(533)</b>	(339)
Consulting expenses		<b>(1,836)</b>	(134)
Other expenses		<b>(5,585)</b>	(5,398)
<b>Profit before income tax expense</b>		<b>23,378</b>	17,409
Income tax expense	4(a)	<b>(7,776)</b>	(5,685)
<b>Net profit for the year</b>		<b>15,602</b>	11,724
Profit for the year is attributable to:			
Owners of Wellcom Group Limited		<b>15,602</b>	11,724
<b>Earnings per share:</b>			
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of parent:</b>			
Basic (cents per share)	21	<b>39.77</b>	29.92
Diluted (cents per share)	21	<b>39.77</b>	29.92
<b>Earnings per share from profit attributable to the ordinary equity holders of the parent:</b>			
Basic (cents per share)	21	<b>39.77</b>	29.92
Diluted (cents per share)	21	<b>39.77</b>	29.92

Notes to the consolidated financial statements are included on pages 52 to 94.



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
	<b>15,602</b>	11,724
	<b>1,507</b>	1,175
	<b>1,507</b>	1,175
	<b>17,109</b>	12,899
	<b>17,109</b>	12,899

**Profit for the year**
**Other comprehensive income**

Foreign currency translation, net of tax

**Other comprehensive loss for the year, net of tax**
**Total comprehensive income for the year**

Total comprehensive income for the year is attributable to:

Owners of Wellcom Group Limited

Notes to the consolidated financial statements are included on pages 52 to 94.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2019**

	Note	2019 \$'000	2018 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5(a)	12,266	8,033
Trade and other receivables	7	33,363	24,950
Inventories and contract assets	8	1,814	2,230
Other current assets	9	2,825	1,903
<b>Total current assets</b>		<b>50,268</b>	<b>37,116</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	5,411	6,431
Deferred tax assets	4(c)	1,832	1,987
Intangible assets	11	54,168	49,457
Other non-current assets	12	631	586
<b>Total non-current assets</b>		<b>62,042</b>	<b>58,461</b>
<b>Total assets</b>		<b>112,310</b>	<b>95,577</b>
<b>Current liabilities</b>			
Trade and other payables	13	18,119	16,852
Short term borrowings	14	104	93
Current tax payables	4(b)	3,060	390
Provisions	15	5,367	4,343
<b>Total current liabilities</b>		<b>26,650</b>	<b>21,678</b>
<b>Non-current liabilities</b>			
Long term borrowings	17	12,887	10,138
Deferred tax liabilities	4(c)	1,995	2,326
Provisions	16	1,201	313
Other non-current liabilities	18	123	691
<b>Total non-current liabilities</b>		<b>16,206</b>	<b>13,468</b>
<b>Total liabilities</b>		<b>42,856</b>	<b>35,146</b>
<b>Net assets</b>		<b>69,454</b>	<b>60,431</b>
<b>Equity</b>			
Contributed equity	19	38,521	38,355
Retained earnings and reserves	20	30,933	22,076
<b>Total equity attributable to owners of Wellcom Group Limited</b>		<b>69,454</b>	<b>60,431</b>

Notes to the consolidated financial statements are included on pages 52 to 94.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	Note	Contributed equity \$'000	Other Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity attributable to owners of the parent \$'000
<b>At 1 July, 2018</b>		<b>38,355</b>	<b>-</b>	<b>767</b>	<b>21,309</b>	<b>60,431</b>
Profit for the year		-	-	-	15,602	15,602
Other comprehensive income for the year		-	-	1,507	-	1,507
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>1,507</b>	<b>15,602</b>	<b>17,109</b>
Transactions with owners in their capacity as owners:						
Dividends paid	22	-	-	-	(8,626)	(8,626)
Shares issued to employees		-	166	(166)	-	-
Employee Share Scheme		-	-	540	-	540
<b>At 30 June, 2019</b>		<b>38,355</b>	<b>166</b>	<b>2,648</b>	<b>28,285</b>	<b>69,454</b>

	Note	Contributed equity \$'000	Other Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity attributable to owners of the parent \$'000
<b>At 1 July, 2017</b>		<b>38,355</b>	<b>-</b>	<b>(985)</b>	<b>28,592</b>	<b>65,962</b>
Profit for the year		-	-	-	11,724	11,724
Other comprehensive income for the year		-	-	1,175	-	1,175
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>1,175</b>	<b>11,724</b>	<b>12,899</b>
Transactions with owners in their capacity as owners:						
Dividends paid	22	-	-	-	(19,007)	(19,007)
Employee Share Scheme		-	-	577	-	577
<b>At 30 June, 2018</b>		<b>38,355</b>	<b>-</b>	<b>767</b>	<b>21,309</b>	<b>60,431</b>

Notes to the consolidated financial statements are included on pages 52 to 94.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

	<b>Note</b>	<b>2019 \$'000</b>	<b>2018 \$'000</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		<b>178,440</b>	168,189
Payments to suppliers and employees		<b>(156,729)</b>	(147,311)
Income tax paid		<b>(5,151)</b>	(5,445)
Interest and other costs of finance paid		<b>(533)</b>	(340)
Net cash provided by operating activities	5(b)	<b>16,027</b>	15,093
<b>Cash flows used in investing activities</b>			
Interest received		<b>40</b>	79
Payments for business acquisitions, net of cash acquired	29	<b>(2,720)</b>	-
Payment of development costs	11	<b>(1,149)</b>	(1,143)
Payment of software acquisition	11	<b>(113)</b>	-
Payment for property, plant and equipment	10	<b>(1,565)</b>	(3,749)
Net cash used in investing activities		<b>(5,507)</b>	(4,813)
<b>Cash flows used in financing activities</b>			
Dividends paid		<b>(8,626)</b>	(19,007)
Proceeds of borrowings		<b>2,555</b>	10,104
Net cash used in financing activities		<b>(6,071)</b>	(8,903)
<b>Net increase in cash and cash equivalents</b>		<b>4,449</b>	1,377
<b>Cash and cash equivalents at the beginning of the year</b>		<b>8,033</b>	6,823
<b>Effects of exchange rate changes on cash and cash equivalents</b>		<b>(216)</b>	(167)
<b>Cash and cash equivalents at the end of the year</b>	5(a)	<b>12,266</b>	8,033

Notes to the consolidated financial statements are included on pages 52 to 94.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019**

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## 1. CORPORATE INFORMATION

The financial statements of Wellcom Group Limited (the Group or consolidated entity) for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 20 August 2019.

Wellcom Group Limited is a company incorporated and domiciled in Australia and limited by shares, which 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 these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of Wellcom Group Limited and its subsidiaries.

### a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Wellcom Group Limited is a for-profit entity for the purpose of preparing these financial statements.

#### (i) Compliance with IFRS

The Financial Statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### (ii) New and amended standards adopted by the Group

The impact of adoption of new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2018 is disclosed in note 2(aa).

#### (iii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2018.

#### (iv) Historical cost convention

The financial report has been prepared on a historical cost basis unless otherwise stated.

### b) Principles of consolidation

#### (i) Subsidiaries

The consolidated financial statements comprise the financial statements of Wellcom Group Limited and its subsidiaries at 30 June each year (the Group). Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. During the year ended 30 June 2019 subsidiaries have comprised Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Group Inc, theLab LLC, Dippin' Sauce LLC, WGISUB LLC, Brandsystems India Pvt Ltd and Wellcom Group Limited (Hong Kong).

Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd and Wellcom Group Limited (Hong Kong) are 100% owned by Wellcom Group Limited. The consolidated financial statements include the results of Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd and Wellcom Group Limited (Hong Kong) for the entire financial year. The financial statements of these subsidiaries have been prepared using consistent accounting policies adopted by the Group.

Brandsystems India Pvt Ltd is 99% owned by Wellcom Group Pte Ltd, and 1% owned by Wellcom Group Limited. The financial statements of the subsidiary have been prepared using consistent accounting policies adopted by the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### b) Principles of consolidation (continued)

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

theLab LLC, Dippin' Sauce LLC and WGISUB LLC are 100% owned by Wellcom Group Inc. The consolidated financial statements include the results of theLab LLC and Dippin' Sauce LLC for the entire financial year. The financial statements of the subsidiary have been prepared using consistent accounting policies adopted by 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.

### c) 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 can 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 does not consider that the triggers for impairment testing have been significant and as such these assets have not been tested for impairment in this financial period.

#### (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, to which the goodwill is allocated, using a value in use discounted cash flow methodology. Further details of significant accounting estimates and assumptions applied are provided in note 11.

##### *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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### d) Revenue

#### i) 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 Group 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 Group 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 income** - Interest income is recognised using the effective interest rate method.

**Dividends** - Dividends are recognised as revenue when the right to receive payment is established.

#### ii) Disaggregation of revenue from contracts with customers

The Group's revenue has been disaggregated by geographical regions at Note 25.

#### iii) Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient in the revenue standard and does not disclose information about the remaining performance obligation on contracts that have an original expected duration of one year or less or where the Group has the right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance to date.

#### iv) Assets and liabilities related to contracts with customers

If the services rendered by the Group exceed the payment received from the customer, a contract asset (previously referred to as "work-in-progress") is recognised. If the payments exceed the services rendered, a contract liability (previously referred to as "deferred revenue") is recognised. The contract assets and liabilities have been disaggregated by geographical regions at Note 25.

Refer to note 2(aa) for further adoption guidance.

### e) 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 consolidated 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 reporting date.

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).

### f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions and readily convertible 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 consolidated statement of financial position. For the purpose of the consolidated statement of cash flows cash and cash equivalents consist of cash and cash equivalents as defined above.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### g) Employee benefits

#### i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

### h) Investments and other financial assets

#### i) Classification

From 1 July 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through statement of comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or statement of comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

#### (ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

#### (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Investments and other financial assets (continued)

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

#### *Equity instruments*

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### *(iv) Impairment*

From 1 July 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### *(v) Accounting policies applied until 30 June 2018*

The group has applied AASB 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

#### *Initial recognition and measurement*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Investments and other financial assets (continued)

#### *Classification and subsequent measurement*

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. 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.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

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

Financial assets at fair value through the profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. The Group 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 any impairment. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

#### *Impairment*

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### h) Investments and other financial assets (continued)

#### *Derecognition*

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### i) 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 classification of the related debt or equity instruments or component parts of compound instruments in the consolidated statement of financial position.

### j) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate portion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. 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.

### k) 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 consolidated statement of profit or loss, 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### k) Foreign currency translation (continued)

#### (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 statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses 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.

### l) 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 consolidated statement of cash flows 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.

### m) Intangible assets

#### *Intangible assets acquired in a business combination*

All intangible assets acquired in a business combination are initially measured at fair value at the date of acquisition. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. All potential intangible assets are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised developments costs, are not capitalised and expenditure is recognised as an expense in the period incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m) Intangible assets (continued)

#### *Software*

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

### n) Goodwill

Goodwill acquired in a business combination is measured as described in note 2(v). Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest, over the acquisition date fair value of net identifiable assets acquired.

Goodwill 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.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or 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 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 11.

When the recoverable amount of the cash-generating unit (or 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 (or 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### o) Impairment of assets

The carrying amount of tangible and intangible assets are reviewed 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 recoverable amount of the cash-generating unit to which the asset belongs is estimated.

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.

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.

### p) Income tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Wellcom Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation on 1 July 2012. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, respectively.

#### *Investment allowances*

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### q) 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.

#### *Group as lessee*

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position 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 in expenses.

Finance leased assets are amortised on a straight-line basis over the shorter of the estimated useful life of the asset and the remaining lease term.

Operating lease payments are recognised as an expense in the consolidated statement of profit or loss 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.

### r) 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.

### s) 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 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 methods are reviewed at the end of each annual reporting period.

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

Leasehold improvements	6 - 10 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the 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 Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

### u) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

### v) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent assets assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in the income statement as a bargain purchase.

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 entity's weighted average cost of capital, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated statement of profit or loss.

### w) 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.

### x) 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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### y) Parent entity financial information

The financial information for the parent entity, Wellcom Group Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements.

### z) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar.

### aa) New and amended standards adopted by the Group

During the year ended 30 June 2019, the directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group's operations and effective for reporting periods beginning on or after 1 July 2018.

#### *AASB 9: Financial Instruments and associated Amending Standards*

The key changes made within Standard include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items.

The Group has assessed these the changes, and have assessed no impact to current disclosures.

The Group has adopted *AASB 9: Financial Instruments and associated Amending Standards* from 1 July 2018 using the modified retrospective approach and has not restated comparatives. The comparatives have been prepared using AASB 139.

#### *AASB 15: Revenue from Contracts with Customers*

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The revised Standards and Interpretations had no material impact on the amounts reported in the financial statements.

The Group has adopted *AASB 15: Revenue from Contracts with Customers* from 1 July 2018 using the modified retrospective approach and has not restated the comparatives. The comparatives have been prepared using AASB 118 and related interpretations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### ab) New Accounting Standards for Application in Future Periods

*AASB 16: Leases (applicable to annual reporting periods commencing on or after 1 January 2019).*

When effective, this Standard will replace the current accounting requirements applicable to leases in *AASB 117: Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with *AASB 116: Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The standard will affect primarily the accounting for the group's operating lease commitments. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

**3. PROFIT FROM OPERATIONS**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
<b>(a) Revenue</b>		
Revenue from continuing operations	<b>160,949</b>	155,166
<b>(b) Other income</b>		
Gain from derecognition of contingent consideration	-	71
Interest revenue (bank deposits)	<b>44</b>	72
Sub-lease rental income	<b>464</b>	420
Lease surrender income *	<b>8,385</b>	-
Other	<b>45</b>	131
	<b>8,938</b>	694
* Surrender payment received for an early lease exit		
<b>(c) Employee benefits expense</b>		
Salaries and wages	<b>(64,680)</b>	(56,257)
Fringe benefits tax	<b>(138)</b>	(129)
Staff amenities	<b>(43)</b>	(58)
	<b>(64,861)</b>	(56,444)
<b>(d) Depreciation, amortisation &amp; impairment</b>		
Depreciation of non-current assets	<b>(2,844)</b>	(2,010)
Amortisation of internally generated intangible assets	<b>(1,100)</b>	(800)
	<b>(3,944)</b>	(2,810)
<b>(e) Finance costs</b>		
Interest expense	<b>(533)</b>	(339)
<b>(f) Net loss on disposal of property, plant and equipment</b>	<b>(4)</b>	(18)
<b>(g) Rental expenses relating to operating leases</b>		
Minimum lease payments	<b>(5,605)</b>	(5,948)
<b>(h) Net foreign exchange loss</b>	<b>(29)</b>	(51)
<b>(i) Bad and doubtful debts loss</b>	<b>(49)</b>	(23)

## 4. Income tax expense

	2019 \$'000	2018 \$'000
<b>(a) Income tax recognised in profit or loss</b>		
Tax expense comprises:		
Current income tax expense	7,816	5,632
Deferred income tax income relating to the origination and reversal of temporary differences	(202)	(199)
Current income charge in respect of previous years	162	252
Total income tax expense	7,776	5,685
Attributable to:		
Continuing operations	7,776	5,685
Deferred income tax revenue included in income tax expense comprises:		
Decrease/(Increase) in deferred tax assets (note 4(c))	129	(674)
(Decrease)/Increase in deferred tax liabilities (note 4(c))	(331)	475
	(202)	(199)
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 before income tax expense	23,378	17,409
Income tax expense calculated at 30% (2018: 30%)	7,013	5,223
Non-deductible expenses	270	107
Differences in overseas tax rates	298	117
Previously unrecognised tax losses recouped to reduce current tax expense	(12)	(17)
Under provided in prior periods	162	252
Change in unrecognised temporary differences	-	16
Non-assessable income	-	(31)
Adjustments for current tax of prior periods	-	16
Deferred tax assets not recognised	45	2
	7,776	5,685
The tax rate used in the above reconciliation is the corporate tax rate of 30% (2018: 30%) payable by Australian corporate entities on taxable profits under Australian tax law.		
<b>(b) Current tax assets and liabilities</b>		
Current tax liabilities	3,060	390
<b>(c) Deferred tax balances</b>		
Deferred tax assets comprise:		
Temporary differences	1,832	1,987
Deferred tax liabilities comprise:		
Temporary differences	1,995	2,326



**4. INCOME TAX EXPENSE (CONTINUED)****2019**

	Opening balance \$'000	Charged/ Credited to Income \$'000	Charged/ Credited to Equity \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>				
Provisions	1,791	(108)	(26)	1,657
Accrual	196	(81)	-	115
Investments	-	17	-	17
Intangible assets	-	43	-	43
	<b>1,987</b>	<b>(129)</b>	<b>(26)</b>	<b>1,832</b>

**Gross deferred tax liabilities:**

Intangible assets	1,609	(216)	-	1,393
Investments	1	(1)	-	-
PP&E	716	(114)	-	602
	<b>2,326</b>	<b>(331)</b>	<b>-</b>	<b>1,995</b>

**2018**

	Opening balance \$'000	Charged/ Credited to Income \$'000	Charged/ Credited to Equity \$'000	Closing balance \$'000
<b>Gross deferred tax assets:</b>				
Provisions	1,282	483	26	1,791
Doubtful debts	2	(2)	-	-
Accrual	-	196	-	196
Property, plant and equipment	3	(3)	-	-
	<b>1,287</b>	<b>674</b>	<b>26</b>	<b>1,987</b>

**Gross deferred tax liabilities:**

Interest receivable	2	(2)	-	-
Intangible assets	1,447	162	-	1,609
Investments	17	(16)	-	1
Deposits paid	1	(1)	-	-
PP&E	384	332	-	716
	<b>1,851</b>	<b>475</b>	<b>-</b>	<b>2,326</b>

**(d) Tax losses**

Unused tax losses for which no deferred tax asset has been recognised	
Potential tax benefit	

<b>2019</b> <b>\$'000</b>	2018 \$'000
<b>2,277</b>	1,914
<b>449</b>	380

The above tax losses relate to overseas subsidiaries.

**5. CASH AND CASH EQUIVALENTS**

	2019 \$'000	2018 \$'000
<b>(a) Cash and cash equivalents</b>		
Cash on hand	17	13
Cash at bank	9,749	6,520
Cash at call	2,500	1,500
<b>Total cash and cash equivalents</b>	<b>12,266</b>	<b>8,033</b>

Cash at bank and on hand earns interest at floating rates based upon daily deposit rates. Cash at call earns higher interest rates at fixed rates at floating rates based upon the Australian cash rate. The interest rate applicable to cash on deposit at 30 June 2019 is 1.55% (2018: 1.8%).

**(b) Reconciliation of profit to the net cash flows from operating activities**

A reconciliation of the net profit after tax of the Group to the net cash inflows from operating activities is provided below:

Net profit after income tax	15,602	11,724
<b>Adjustments for non-cash income and expense items:</b>		
Amortisation of intangible assets	1,100	800
Depreciation of non-current assets	2,844	2,010
Loss on disposal of non-current assets	4	18
Interest income received and receivable	(40)	(79)
Gain on derecognition of contingent consideration	-	(71)
Net exchange difference	1,743	1,172
Employee share scheme expense	540	577
<b>Increase/decrease in assets/liabilities:</b>		
Trade and other receivables	(8,347)	(2,621)
Inventories	442	(497)
Other assets	(1,742)	(1,262)
Trade and other payables	427	2,660
Income tax payable	2,687	432
Deferred tax balances	(161)	(225)
Provisions	928	455
<b>Net cash from operating activities</b>	<b>16,027</b>	<b>15,093</b>

**(c) Financing activities**

Secured bank finance facilities subject to annual review:

- amount used	13,150	12,302
- amount unused	2,150	2,998
	<b>15,300</b>	<b>15,300</b>

**6. REMUNERATION OF AUDITORS**

	2019 \$	2018 \$
<b>(a) Auditor services</b>		
<i>HLB Mann Judd:</i>		
Audit and review of the financial reports	<b>93,545</b>	91,545
<i>HLB Mann Judd related practices:</i>		
Audit and review of the financial reports	<b>52,267</b>	47,067
<i>Other Auditors:</i>		
Audit and review of the financial reports	<b>35,815</b>	33,200
Total remuneration for audit services	<b>181,627</b>	171,812
<b>(b) Other services</b>		
<i>HLB Mann Judd related practices:</i>		
Taxation services	<b>26,908</b>	23,050
<i>Other Auditors:</i>		
Taxation services	<b>1,878</b>	1,758
Total remuneration for non-audit services	<b>28,786</b>	24,808

**7. TRADE AND OTHER RECEIVABLES**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Trade receivables	<b>24,743</b>	24,961
Allowance for doubtful debts (note 23)	<b>(87)</b>	(58)
	<b>24,656</b>	24,903
Sundry debtors	<b>8,703</b>	47
Interest income receivable	<b>4</b>	-
	<b>33,363</b>	24,950

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement between thirty (30) and ninety (90) days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the group's impairment policies and the calculation of the loss allowance are provided in note 23. Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

**8. INVENTORIES AND CONTRACT ASSETS**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Raw materials at cost	<b>131</b>	103
Contract assets	<b>1,683</b>	2,127
	<b>1,814</b>	2,230

**9. OTHER CURRENT ASSETS**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Prepayments	<b>2,825</b>	1,903
	<b>2,825</b>	1,903

**10. PROPERTY, PLANT AND EQUIPMENT**

	Plant and equipment \$'000	Leasehold improvements \$'000	Furniture and fittings \$'000	Equipment under finance lease \$'000	Total \$'000
<b>At 30 June 2017</b>					
At cost	17,765	3,280	1,972	488	23,505
Accumulated depreciation	(14,621)	(2,516)	(1,470)	(347)	(18,954)
<b>Net book amount</b>	<b>3,144</b>	<b>764</b>	<b>502</b>	<b>141</b>	<b>4,551</b>
<b>Year ended 30 June 2018</b>					
Opening net book amount	3,144	764	502	141	4,551
Additions	1,438	1,719	387	205	3,749
Disposals/transfers	(1)	(16)	(1)	-	(18)
Depreciation charge	(1,489)	(88)	(319)	(114)	(2,010)
Exchange differences	81	57	11	10	159
<b>Closing net book amount</b>	<b>3,173</b>	<b>2,436</b>	<b>580</b>	<b>242</b>	<b>6,431</b>
<b>At 30 June 2018</b>					
At cost	18,902	6,440	2,343	722	28,407
Accumulated depreciation	(15,729)	(4,004)	(1,763)	(480)	(21,976)
<b>Net book amount</b>	<b>3,173</b>	<b>2,436</b>	<b>580</b>	<b>242</b>	<b>6,431</b>
<b>Year ended 30 June 2019</b>					
<b>Opening net book amount</b>	<b>3,173</b>	<b>2,436</b>	<b>580</b>	<b>242</b>	<b>6,431</b>
<b>Additions</b>	<b>701</b>	<b>228</b>	<b>583</b>	<b>53</b>	<b>1,565</b>
<b>Additions from business acquisition (note 29(a))</b>	<b>22</b>	<b>53</b>	<b>24</b>	<b>-</b>	<b>99</b>
<b>Disposals/transfers/revaluations</b>	<b>-</b>	<b>(1)</b>	<b>(3)</b>	<b>-</b>	<b>(4)</b>
<b>Depreciation charge</b>	<b>(1,340)</b>	<b>(970)</b>	<b>(421)</b>	<b>(113)</b>	<b>(2,844)</b>
<b>Exchange differences</b>	<b>78</b>	<b>56</b>	<b>18</b>	<b>12</b>	<b>164</b>
<b>Closing net book amount</b>	<b>2,634</b>	<b>1,802</b>	<b>781</b>	<b>194</b>	<b>5,411</b>
<b>At 30 June 2019</b>					
At cost	19,951	6,936	3,012	815	30,714
Accumulated depreciation	(17,317)	(5,134)	(2,231)	(621)	(25,303)
<b>Net book amount</b>	<b>2,634</b>	<b>1,802</b>	<b>781</b>	<b>194</b>	<b>5,411</b>

**11. INTANGIBLE ASSETS**

	<b>Goodwill \$'000</b>	<b>Software * \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2017</b>			
Cost	47,344	2,904	50,248
Accumulated amortisation	-	(1,390)	(1,390)
Accumulated impairment losses	(460)	-	(460)
<b>Net book amount</b>	<b>46,884</b>	<b>1,514</b>	<b>48,398</b>
<b>Year ended 30 June 2018</b>			
Opening net book amount	46,884	1,514	48,398
Additions – internal development	-	1,143	1,143
Amortisation charge **	-	(800)	(800)
Exchange differences	716	-	716
<b>Closing net book amount</b>	<b>47,600</b>	<b>1,857</b>	<b>49,457</b>
<b>At 30 June 2018</b>			
Cost	48,060	4,047	52,107
Accumulated amortisation	-	(2,190)	(2,190)
Accumulated impairment losses	(460)	-	(460)
<b>Net book amount</b>	<b>47,600</b>	<b>1,857</b>	<b>49,457</b>
<b>Year ended 30 June 2019</b>			
<b>Opening net book amount</b>	<b>47,600</b>	<b>1,857</b>	<b>49,457</b>
<b>Additions - business acquisitions (note 29(a))</b>	<b>3,076</b>	<b>603</b>	<b>3,679</b>
<b>Additions - software acquisition</b>	<b>-</b>	<b>113</b>	<b>113</b>
<b>Additions - internal development</b>	<b>-</b>	<b>1,149</b>	<b>1,149</b>
<b>Amortisation charge **</b>	<b>-</b>	<b>(1,100)</b>	<b>(1,100)</b>
<b>Exchange differences</b>	<b>850</b>	<b>20</b>	<b>870</b>
<b>Closing net book amount</b>	<b>51,526</b>	<b>2,642</b>	<b>54,168</b>
<b>At 30 June 2019</b>			
<b>Cost</b>	<b>51,986</b>	<b>5,932</b>	<b>57,918</b>
<b>Accumulated amortisation</b>	<b>-</b>	<b>(3,290)</b>	<b>(3,290)</b>
<b>Accumulated impairment losses</b>	<b>(460)</b>	<b>-</b>	<b>(460)</b>
<b>Net book amount</b>	<b>51,526</b>	<b>2,642</b>	<b>54,168</b>

\* Software includes capitalised development costs being an internally generated intangible asset.

\*\* Amortisation of \$1,100,782 (2018: \$800,269) is included in depreciation and amortisation expense in the profit and loss.

**(a) Impairment testing of goodwill**

Goodwill is allocated to the Group's cash-generating units (CGU's) according to operating segment and country of operation. A segment-level summary of the goodwill allocation is presented below.

	<b>2019 \$'000</b>	2018 \$'000
Australasia	<b>33,601</b>	30,405
United Kingdom	<b>5,612</b>	5,512
United States of America	<b>12,313</b>	11,683
<b>Total Goodwill</b>	<b>51,526</b>	47,600

During the financial period, the Group assessed the recoverable amount of goodwill. The recoverable amount of each cash-generating unit is determined by value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using steady estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.



**11. INTANGIBLE ASSETS (CONTINUED)****(b) Key assumptions used for value-in-use calculations**

	<b>Growth rate *</b>		<b>Discount rate **</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>%</b>	%	<b>%</b>	%
Australasia	<b>3.0</b>	3.0	<b>7.4</b>	8.4
United Kingdom	<b>3.0</b>	3.0	<b>11.4</b>	10.6
United States of America	<b>3.0</b>	3.0	<b>8.2</b>	9.0

\*Estimated growth rate used to extrapolate cash flows beyond the budget period.

\*\* In performing the value-in-use calculations for each CGU, the Group has applied pre-tax discount rates to pre-tax cash flows.

In completing value-in-use calculations management determined budgeted gross margins based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. Management believes the projected growth rate to be prudent and justified based on the Group's past and expected performance. The discount rates used reflect specific risks relating to the relevant segments and the countries in which they operate.

**(c) Impact of possible changes in key assumptions**

A reasonable change in key assumptions would not cause the CGU's carrying amounts to exceed their recoverable amounts..

**12. OTHER NON-CURRENT ASSETS**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Deposits paid	<b>631</b>	586

**13. TRADE AND OTHER PAYABLES**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>Unsecured</b>		
Trade payables	<b>9,716</b>	11,175
Goods and services tax / value added tax (GST / VAT) payable	<b>1,167</b>	791
Other	<b>7,236</b>	4,886
	<b>18,119</b>	16,852

The average credit period on purchases of goods and services is thirty (30) days. No interest is charged on the trade payables. The Group 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 23.

**14. SHORT TERM BORROWINGS**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Lease liability (Note 24)	<b>104</b>	93
	<b>104</b>	93

**15. CURRENT PROVISIONS**

	2019 \$'000	2018 \$'000
Employee benefits (a)	4,257	4,062
Provision for makegood (b)	885	281
Deferred purchase consideration (note 29)	225	-
	<b>5,367</b>	4,343

(a) The current provision for employee benefits includes accrued annual leave, long service leave and provision for redundancies. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision of \$4,257,000 (2018: \$4,062,000) is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2019 \$'000	2018 \$'000
Current leave obligations expected to be settled after 12 months	2,321	2,261

**(b) Provision for Makegood**

Provision has been made for the 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.

	2019 \$'000	2018 \$'000
<b>Movement in provisions: Makegood</b>		
Carrying amount at the beginning of the year	281	-
Charged/(Credited) to the consolidated income statement:		
- Additional provisions recognised	604	266
- Movement from non-current provision	-	15
- Derecognition of make good provision	-	-
Carrying amount at year end	885	281

**16. NON-CURRENT PROVISIONS**

	2019 \$'000	2018 \$'000
Employee benefits	381	293
Provision for makegood (a)	20	20
Deferred purchase consideration (note 29)	800	-
	<b>1,201</b>	313

**(a) Provision for Makegood**

Provision has been made for the 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.

	2019 \$'000	2018 \$'000
<b>Movement in provisions: Makegood</b>		
Carrying amount at the beginning of the year	20	35
Charged/(Credited) to the consolidated income statement:		
- Additional provisions recognised	-	-
- Movement to current provision	-	(15)
Carrying amount at year end	20	20

**17. LONG TERM BORROWINGS**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Lease liability (Note 24)	<b>87</b>	138
Corporate Market Loan (a)	<b>12,800</b>	10,000
	<b>12,887</b>	10,138

(a) The corporate market loan has an expiration date of 31 March 2021. The interest rate is calculated at the BBSY rate plus a 1.6% margin.

**18. OTHER NON-CURRENT LIABILITIES**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Deferred rent	-	575
Deposits payable	<b>123</b>	116
	<b>123</b>	691

**19. CONTRIBUTED EQUITY**

	<b>2019</b> <b>\$'000</b>	2018 \$'000
39,229,356 (2018: 39,190,001) fully paid ordinary shares*	<b>38,521</b>	38,355
	<b>38,521</b>	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. The shares do not have a par value.

(i) Movement in ordinary shares:

<b>Details</b>	<b>Number of shares</b>	<b>Total \$'000</b>
Opening balance 1 July 2018	39,190,001	38,355
Rights issue *	39,355	166
<b>Closing Balance 30 June 2019</b>	<b>39,229,356</b>	<b>38,521</b>

\* On 15 February 2019 the company issued 39,355 shares to employees at a price of \$4.22 per share, resulting from the employee share scheme.

**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. 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.

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 minimum return on capital of 15 percent; during the year ended 30 June 2019 the return was 22 percent (2018: 19 percent). In comparison the weighted average interest expense on interest-bearing loans and borrowings (excluding liabilities with imputed interest) was 4 percent (2018: 4 percent).

**19. CONTRIBUTED EQUITY (CONTINUED)**

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, corporate loan, commercial card and multi option funding 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, unencumbered liquid assets thresholds and EBITDA thresholds. The Group has given undertakings that these ratios and thresholds will be within agreed limits, measured either against six or twelve month rolling results. The Group has complied with the externally imposed capital requirements during the current and prior years.

**20. RETAINED EARNINGS AND RESERVES**

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
<b>(a) Reserves</b>		
Foreign currency translation reserve	<b>1,697</b>	190
Employee share scheme reserve	<b>951</b>	551
Deferred tax reserve	<b>-</b>	26
	<b>2,648</b>	767
<b>Movements:</b>		
<i>Foreign currency translation reserve:</i>		
Balance at beginning of financial year	<b>190</b>	(985)
Currency translation differences during the year	<b>1,507</b>	1,175
Balance at end of financial year	<b>1,697</b>	190
<i>Employee share scheme reserve:</i>		
Balance at beginning of financial year	<b>551</b>	-
Increase in value of share rights to employees	<b>566</b>	551
Issue of shares to employees	<b>(166)</b>	-
Balance at end of financial year	<b>951</b>	551
<i>Deferred tax reserve:</i>		
Balance at beginning of financial year	<b>26</b>	-
Increase in deferred tax assets taken to equity	<b>(26)</b>	26
Balance at end of financial year	<b>-</b>	26
<b>(b) Retained earnings</b>		
<i>Movements in retained profits were as follows:</i>		
Balance at beginning of financial year	<b>21,309</b>	28,592
Net profit attributable to members of the parent	<b>15,602</b>	11,724
Dividends paid or provided for (note 22)	<b>(8,626)</b>	(19,007)
Balance at end of financial year	<b>28,285</b>	21,309
<b>Total reserves and retained earnings</b>	<b>30,933</b>	22,076

**(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. The reserve is recognised in profit or loss when the net investment is disposed of.

**21. EARNINGS PER SHARE****(a) Basic earnings per share**

- from continuing operations

Total basic earnings per share

**(b) Diluted earnings per share**

- from continuing operations

Total diluted earnings per share

**(c) Reconciliations of earnings used in calculating earnings per share***Basic earnings per share*

Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share

*Diluted earnings per share*

Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share

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

**Weighted number of shares used as the denominator**

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

Adjustments for calculation of diluted earnings per share

Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share

<b>2019 Cents</b>	2018 Cents
<b>39.77</b>	29.92
<b>39.77</b>	29.92
<b>39.77</b>	29.92
<b>39.77</b>	29.92
<b>2019 \$'000</b>	2018 \$'000
<b>15,602</b>	11,724
<b>15,602</b>	11,724
-	-
<b>15,602</b>	11,724
<b>2019 No. '000</b>	2018 No. '000
<b>39,229</b>	39,190
-	-
<b>39,229</b>	39,190

**22. DIVIDENDS**

	Cents	2019 \$'000	Cents	2018 \$'000
<b>(a) Fully paid ordinary shares</b>				
<i>Final dividend</i>				
Fully franked for the year ended 30 June 2018, Paid 14 September 2018 (2017: 15 September 2017)	11.0	4,311	13.5	5,291
<i>Interim dividend</i>				
Fully franked for the half year ended 31 December 2018, Paid 15 March 2019 (2017: 16 March 2018 inclusive of a 25.0 cent special dividend)	11.0	4,315	35.0	13,716
	<b>22.0</b>	<b>8,626</b>	48.5	19,007

**(b) Dividends not recognised at year end**

<i>Final dividend</i>				
Fully franked final dividend for the year ended 30 June 2019, to be paid 27 November 2019 (2018: 14 September 2018)	11.0	4,315	11.0	4,311
<i>Special dividend</i>				
Fully franked special dividend , to be paid 27 November 2019	10.0	3,923	-	-
	<b>21.0</b>	<b>8,238</b>	11.0	4,311

**(c) Franked dividends**

The franked portions of the final dividends recommended after 30 June 2019 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 2019.

	2019 \$'000	2018 \$'000
Franking credits available for subsequent years based on a tax rate of 30% (2018: 30%)	<b>3,086</b>	2,584

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 \$3,530,642 (2018: \$1,847,529).



## 23. 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 revenue and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 of the financial statements.

### b) Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Currency risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk. 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 Chief Executive Officer and Chief Financial Officer are responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the 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 Group's activities. The Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

#### 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 and cash and cash equivalents held with financial institutions.

##### *Trade and other receivables*

The 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.

The Group has been transacting with the majority of its customers for over five 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. The Group does not require collateral in respect of trade and other receivables.

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Expected credit losses are measured by grouping trade receivables and contract assets based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts.

**23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)**

As permitted by AASB 9, comparatives have not been restated. In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Credit risk in relation to cash and cash equivalents is minimised by investing only with financial institutions that maintain a high credit rating.

*Exposure to credit risk*

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

		<b>2019</b> <b>\$'000</b>	2018 \$'000
	<b>Note</b>		
Cash and cash equivalents	5	<b>12,266</b>	8,033
Trade receivables	7	<b>24,656</b>	24,903
Other receivables	7	<b>8,707</b>	47
		<b>45,629</b>	32,983

The Group's maximum exposure to credit risk at the reporting date was the fair value of trade receivables, which was \$24,656k (2018: \$24,903k).

*Impairment losses*

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

	<b>Gross</b> <b>2019</b> <b>\$'000</b>	<b>Impairment</b> <b>2019</b> <b>\$'000</b>	Gross 2018 \$'000	Impairment 2018 \$'000
Not past due	<b>16,078</b>	-	15,368	-
Past due 0-30 days	<b>5,637</b>	-	6,554	-
Past due 31-120 days	<b>2,541</b>	<b>23</b>	2,295	51
Past due 121 days to one year	<b>487</b>	<b>64</b>	744	7
	<b>24,743</b>	<b>87</b>	24,961	58

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

	<b>2019</b> <b>\$'000</b>	2018 \$'000
Opening balance at 1 July	<b>58</b>	76
Impairment loss recognised	<b>49</b>	23
Receivables written off during the year as uncollectible	<b>(21)</b>	(37)
Foreign exchange movement	<b>1</b>	(4)
Closing balance at 30 June	<b>87</b>	58

The creation of the provision for impaired receivables has been included in 'other expenses' in the consolidated statement of profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

## 23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)

### 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:

- \$10,000k Corporate Loan Facility;
- \$5,000k Multi-Option funding facility; and
- \$300k Commercial Card Facility.

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

### 2019

#### Non-derivative financial liabilities

	Carrying Amount \$'000	Contractual cash flows \$'000	6 months or less \$'000
Trade and other payables	18,119	18,119	18,119
Borrowings	12,991	12,999	46
	<b>31,110</b>	<b>31,118</b>	<b>18,165</b>

### 2018

#### Non-derivative financial liabilities

	Carrying Amount \$'000	Contractual cash flows \$'000	6 months or less \$'000
Trade and other payables	16,852	16,852	16,852
Borrowings	10,231	10,243	53
	<b>27,083</b>	<b>27,095</b>	<b>16,905</b>

### 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 exposure to market risk is low, no derivative or financial liabilities were entered into during the year ended 30 June 2019 or the year ended 30 June 2018 with the purpose of managing market risks. The Board will continue monitoring the Group'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, with the exception of inter Group transactions, 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 currency other than their own with third parties that would give rise to any foreign currency risk. The Group considers itself a long-term holder of the assets of Wellcom London Ltd, Wellcom Group Pte Ltd, Wellmalaysia Sdn Bhd, Wellcom Group Inc, theLab LLC, Dippin' Sauce LLC, Brandsystems India Pvt Ltd and as such does not consider the inter group balances to represent 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.

**23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)**

As the Group's exposure to currency risk on commercial trading 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:

*In thousands of AUD*

	30 June 2019					30 June 2018				
	GBP	NZD	SGD	MYR	USD	GBP	NZD	SGD	MYR	USD
Trade receivables	<b>3,606</b>	<b>592</b>	<b>358</b>	<b>35</b>	<b>7,550</b>	2,801	568	-	17	4,947
Trade payables	<b>(1,302)</b>	<b>(47)</b>	<b>(85)</b>	<b>(2)</b>	<b>(693)</b>	(1,728)	(62)	-	(8)	(457)
Gross exposure	<b>2,304</b>	<b>545</b>	<b>273</b>	<b>33</b>	<b>6,857</b>	1,073	506	-	9	4,490

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2019	2018	2019	2018
\$1 AUD : 1				
GBP	<b>0.5527</b>	0.5762	<b>0.5535</b>	0.5634
NZD	<b>1.0670</b>	1.0854	<b>1.0462</b>	1.0903
SGD	<b>0.9770</b>	1.0408	<b>0.9492</b>	1.0078
MYR	<b>2.9521</b>	3.1614	<b>2.9041</b>	2.9837
USD	<b>0.7156</b>	0.7753	<b>0.7013</b>	0.7391
HKD	<b>5.6102</b>	6.0665	<b>5.4762</b>	5.8003
INR	<b>50.5060</b>	-	<b>48.3600</b>	-

*Sensitivity analysis*

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased 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 2018.

	Equity \$'000	Profit or Loss \$'000
<b>30 June 2019</b>		
GBP	<b>217</b>	-
NZD	<b>50</b>	<b>49</b>
MYR	<b>3</b>	-
USD	<b>623</b>	-
SGD	<b>25</b>	-
<b>30 June 2018</b>		
GBP	103	-
NZD	47	35
MYR	1	-
USD	408	-

A 10 percent weakening of the Australian dollar against the above currencies at 30 June 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.

**23. FINANCIAL RISK MANAGEMENT AND INSTRUMENTS (CONTINUED)****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 nor are any of them recorded at fair value, therefore no fair value hierarchy disclosure is required. The aggregate fair value and carrying amounts of financial assets and financial liabilities are disclosed in the consolidated statement of financial position and in the notes to the financial statements. Refer to note 30 for the Group's fair value information.

**24. 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*

The Group leases various office premises and equipment under non-cancellable operating leases expiring within 1 to 5 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>2019</b>	2018
	<b>\$'000</b>	\$'000
Within one year	<b>4,879</b>	5,232
Later than one year but not later than five years	<b>20,314</b>	15,196
Later than five years	<b>50,277</b>	6,586
	<b>75,470</b>	27,014

*ii) Finance lease and hire purchase*

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

Commitments in relation to finance are payable as follows:

Within one year	<b>108</b>	97
Later than one year but not later than five years	<b>91</b>	146
Minimum payments	<b>199</b>	243
Future finance charges	<b>(8)</b>	(12)
Recognised as a liability	<b>191</b>	231

Representing:

Finance liabilities

- Current (note 14)

- Non-current (note 17)

<b>104</b>	93
<b>87</b>	138
<b>191</b>	231

## 25. SEGMENT INFORMATION

### (a) Description of segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the goods or services provided and the country of origin. Discrete financial information about each of these operating businesses is reported to the Board of Directors on a monthly basis. During the year ended 30 June 2019 three reportable segments existed, namely Australasia, the United Kingdom and in the United States of America.

The following tables present revenue, profit, total asset and total liability information for the years ended 30 June 2019 and 30 June 2018.

### (b) Segment information provided to the Board of Directors

#### 2019

	Australasia \$'000	UK \$'000	US \$'000	Elimination \$'000	Total continuing operations \$'000
Total segment revenue	103,845	22,303	37,454	(2,653)	160,949
Inter-segment revenue	(2,622)	-	(31)	2,653	-
<b>Revenue from external customers</b>	<b>101,223</b>	<b>22,303</b>	<b>37,423</b>	<b>-</b>	<b>160,949</b>
<b>Contract Assets</b>	<b>1,028</b>	<b>343</b>	<b>312</b>	<b>-</b>	<b>1,683</b>
<b>Contract Liabilities</b>	<b>865</b>	<b>-</b>	<b>275</b>	<b>-</b>	<b>1,140</b>
<b>Segment result</b>	<b>13,533</b>	<b>1,827</b>	<b>11,487</b>	<b>-</b>	<b>26,847</b>
Interest revenue	629	-	-	(585)	44
Interest expense	(631)	(10)	(477)	585	(533)
Depreciation and amortisation	(2,103)	(413)	(1,428)	-	(3,944)
Income tax expense	(3,912)	(322)	(3,542)	-	(7,776)
<b>Total segment assets</b>	<b>79,215</b>	<b>11,916</b>	<b>37,310</b>	<b>(16,131)</b>	<b>112,310</b>
<b>Total segment liabilities</b>	<b>32,620</b>	<b>4,254</b>	<b>19,806</b>	<b>(13,824)</b>	<b>42,856</b>
<b>Total segment non-current asset additions</b>	<b>5,621</b>	<b>2,206</b>	<b>628</b>	<b>(1,807)</b>	<b>6,648</b>

**25. SEGMENT INFORMATION (CONTINUED)****2018**

	<b>Australasia \$'000</b>	<b>UK \$'000</b>	<b>US \$'000</b>	<b>Elimination \$'000</b>	<b>Total continuing operations \$'000</b>
Total segment revenue	105,586	18,337	32,697	(1,454)	155,166
Inter-segment revenue	(1,230)	(17)	(207)	1,454	-
<b>Revenue from external customers</b>	<b>104,356</b>	<b>18,320</b>	<b>32,490</b>	<b>-</b>	<b>155,166</b>
<b>Segment result</b>	<b>13,175</b>	<b>828</b>	<b>6,266</b>	<b>-</b>	<b>20,269</b>
Interest revenue	544	-	-	(472)	72
Interest expense	(297)	(13)	(501)	472	(339)
Depreciation and amortisation	(1,851)	(332)	(627)	-	(2,810)
Income tax expense	(3,404)	(142)	(2,139)	-	(5,685)
<b>Total segment assets</b>	<b>74,897</b>	<b>9,878</b>	<b>22,629</b>	<b>(11,827)</b>	<b>95,577</b>
<b>Total segment liabilities</b>	<b>27,929</b>	<b>3,626</b>	<b>13,043</b>	<b>(9,452)</b>	<b>35,146</b>
<b>Total segment non-current asset additions</b>	<b>2,157</b>	<b>1,530</b>	<b>1,205</b>	<b>-</b>	<b>4,892</b>

**(c) Other 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 8 *Operating Segments*.

*(ii) Segment revenue*

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties reported to the Board of Directors is measured in a manner consistent with the consolidated income statement. The Group's net revenue (excluding pass through costs) was \$120,430k (2018: \$107,618k), Australasia \$60,809k (2018: \$56,917k), UK \$22,198k (2018: \$18,211k) and US \$37,423k (2018: \$32,490k).

*(iii) Segment result reconciliation to profit after tax from continuing operations*

	<b>2019 \$'000</b>	2018 \$'000
Segment result	<b>26,847</b>	20,269
Interest revenue	<b>44</b>	72
Interest expense	<b>(533)</b>	(339)
Corporate charges	<b>(2,980)</b>	(2,593)
Income tax expense	<b>(7,776)</b>	(5,685)
Profit after tax from continuing operations	<b>15,602</b>	11,724



## 26. KEY MANAGEMENT PERSONNEL DISCLOSURES

### (a) Directors

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

- Wayne Sidwell (Chairman)
- Charles Anzarut (Non-executive Director)
- Kerry Smith (Non-executive Director)
- Janette Kendall (Non-executive Director)

### (b) Other key management personnel

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

- Andrew Sidwell (Chief Executive Officer of Australia & New Zealand)
- Andrew Lumsden (Company Secretary, Chief Financial Officer, Global Chief Operating Officer)
- Michael Bettridge (Managing Director – Asia)
- Duncan Stokes (Managing Director – UK)
- David Bridges (Managing Director – US)

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

The aggregate compensation made to key management personnel is set out below:

	2019 \$	2018 \$
Short-term employee benefits	<b>3,134,656</b>	2,930,092
Post-employment benefits	<b>151,138</b>	148,387
Long-term benefits	<b>324,923</b>	172,374
	<b>3,610,717</b>	3,250,853

### (d) 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 related entities.

	2019 \$	2018 \$
Total recognised as expenses	<b>1,041,812</b>	1,039,217

Aggregate amounts of assets and liabilities at the end of the reporting period relating to the above types of other transactions with directors of their personally related entities:

Current liabilities	<b>8,499</b>	1,214
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## 27. RELATED PARTY DISCLOSURES

### (a) Equity interest in related parties

#### Equity interests in subsidiaries:

Interests in subsidiaries are set out in note 28.

#### 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 relating to key management personnel are set out in note 26 and the remuneration report.

### (c) Transactions with other related parties

The following transactions occurred with other related parties other than those disclosed in note 26 and the remuneration report:

	2019 \$	2018 \$
<i>Third party superannuation contributions</i>		
Contributions to superannuation funds on behalf of employees	4,279,363	3,755,257

### (d) Outstanding balances arising from sales/purchases of goods and services to other related parties

There were no balances outstanding at the reporting date in relation to transactions with other related parties. No expense has been recognised in respect of bad or doubtful debts due from related parties during the year.

### (e) Terms and conditions

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

## 28. 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(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2019	2018
Wellcom London Ltd	United Kingdom	Ordinary	100%	100%
Wellcom Group Pte Ltd	Singapore	Ordinary	100%	100%
Wellmalaysia Sdn Bhd	Malaysia	Ordinary	100%	100%
Wellcom Group Inc	United States of America	Ordinary	100%	100%
theLab LLC	United States of America	Ordinary	100%	100%
Dippin' Sauce LLC	United States of America	Ordinary	100%	100%
WGISUB LLC **	United States of America	Ordinary	100%	-
Wellcom Group Ltd	Hong Kong	Ordinary	100%	100%
Brandsystems India Pvt Ltd *	India	Ordinary	100%	-

\* Brandsystems India Pvt Ltd was acquired on the 3 September 2018 within the Brandsystems business acquisition refer note 29(a).

\*\* WGISUB LLC was formed 21 January 2019.

There is no significant restrictions over the corporations ability to access assets and settle liabilities of the subsidiaries.

**29. BUSINESS COMBINATION****Period ended 30 June 2019****Acquisition of Brandsystems****(a) Summary of acquisition**

On 3 September 2018 the Group acquired the business and selected assets of Brandsystems International Pte Ltd, located in Singapore. Included with the acquisition was the share capital of Brandsystems India Pvt Ltd, located in Bangalore, India. The acquisition involved a consideration of \$3,783,000 funded through debt and cash reserves. Included in the consideration total is deferred consideration of \$983,000.

The fair value of the assets and liabilities acquired as of 3 September 2018 are detailed below:

	<b>Fair value \$'000</b>
<b>Assets:</b>	
Cash	80
Current other assets	121
Property, plant & equipment	99
Intangible asset (software)	603
Other non-current assets	58
<b>Liabilities:</b>	
Trade and other payables	254
<b>Net identifiable assets acquired</b>	<b>707</b>
Purchase consideration	3,783
Net identifiable assets acquired	(707)
<b>Goodwill arising on acquisition</b>	<b>3,076</b>
<b>(b) Purchase consideration – cash flow</b>	<b>\$'000</b>
The cash outflow on acquisition is as follows:	
Cash consideration	2,720
Net cash outflow – investing activities	<b>2,720</b>

The goodwill is attributable to the acquired business and is provisional as of 30 June 2019. Identification and valuation of assets acquired will be finalised within the 12 month measurement period as permitted under AASB 3. All transaction costs have been expensed.

### 30. FAIR VALUE MEASUREMENTS

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Obligation for contingent consideration arising from a business combination.

The Group does not subsequently measure any other liabilities or asset at fair value on a non-recurring basis.

#### Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

**Level 1** - Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2** - Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3** - Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

#### Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The only liability item measured and recognised on a recurring basis after initial recognition and its categorisation within the fair value hierarchy is the contingent purchase consideration, which was categorised as a Level 3 liability.

**30. FAIR VALUE MEASUREMENTS (CONTINUED)**

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>2019</b> <b>\$'000</b>	2018 \$'000
<b>Contingent purchase consideration liability</b>	-	-

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2018: no transfers).

**Reconciliation of Recurring Level 3 Fair Value Measurements**

<b>Contingent consideration</b>	<b>2019</b> <b>\$'000</b>	2018 \$'000
Balance at the beginning of the year	-	72
(Gains)/losses recognised in profit or loss during the year	-	(71)
Foreign exchange	-	(1)
Balance at the end of the year	-	-

**Valuation Process**

The Group calculates the fair value of the contingent consideration liability on a biannual basis in light of any revised budgeted profit or loss figures of the acquired business.

There were no significant interrelationships between the unobservable inputs that could materially affect the fair value of the contingent consideration.

There has been no change in the valuation techniques used to measure the fair value of the contingent liabilities since acquisition.

**31. PARENT ENTITY FINANCIAL INFORMATION****(a) Summary financial information**

The individual financial statements for the parent entity show the following aggregate amounts:

	<b>2019</b> <b>\$'000</b>	2018 \$'000
<b>Statement of Financial Position</b>		
Current Assets	<b>23,835</b>	23,671
Total Assets	<b>79,329</b>	75,907
Current Liabilities	<b>16,533</b>	17,036
Total Liabilities	<b>31,541</b>	27,907
<i>Shareholders Equity</i>		
Issued Capital	<b>38,521</b>	38,355
Retained Earnings	<b>9,268</b>	9,646
	<b>47,789</b>	48,001
<b>Profit for the year</b>	<b>7,813</b>	8,192
<b>Total comprehensive income</b>	<b>7,813</b>	8,192

### 31. PARENT ENTITY FINANCIAL INFORMATION (CONTINUED)

#### (b) Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2019, the parent entity had no contractual commitments for the acquisition of property, plant or equipment.

#### (c) Contingent liabilities

The parent entity did not have any contingent liabilities as at the 30 June 2019 or 30 June 2018.

#### (d) Guarantees entered into by the parent entity

The parent entity has provided a financial guarantee in respect of office rental payments payable by Wellcom London Ltd. No liability was recognised by the parent entity or the consolidated entity in relation to this guarantee, as the fair value of the guarantee is immaterial.

#### (e) Financial support

The parent entity has provided letters of support for three subsidiaries confirming its intention to continue to provide financial and other support as necessary to enable the subsidiaries to continue to trade and meet their liabilities.

### 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 Group, the results of those operations or the state of affairs of the Group in future financial periods.

As announced on 31 July 2019, Wellcom has entered into a Scheme Implementation Deed (SID) with Innocean Worldwide Inc (Innocean) (KRX: 214320) under which Innocean has agreed to acquire 85% of the issued share capital of Wellcom for \$6.70 in cash per share (Scheme Consideration) by way of a scheme of arrangement (Scheme) that is subject to Wellcom shareholder approval and court approval in accordance with the requirements of Part 5.1 of the *Corporations Act 2001* (Cth). The Scheme Consideration values Wellcom at \$265.8 million on a fully-diluted basis. Further information regarding the Scheme together with a copy of the Scheme Implementation Deed can be found in within the documentation lodged with the Australian Stock Exchange (ASX) on 31 July 2019.

#### Dividends

On 20 August 2019, the Company declared a final dividend of 11 cents per ordinary share, payable from profits for the year ended 30 June 2019. The total final dividend proposed is \$4,315,229 and will be franked to 100%. The record date for determining entitlements to the dividend is 6 November 2019 and the payment date is the 27 November 2019.

In addition to the final dividend, Directors have declared a fully-franked special dividend of 10 cents per share. The total final dividend proposed is \$3,922,936 and will be franked to 100%. The record date for determining entitlements to the dividend is 6 November 2019 and the payment date is the 27 November 2019.

### 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 Limited  
Tower 4  
727 Collins Street  
Melbourne Victoria 3008

#### Auditors

HLB Mann Judd  
Level 9  
575 Bourke Street  
Melbourne Victoria 3000

#### Solicitors

Anzarut & Partners  
Level 13  
41 Exhibition Street  
Melbourne Victoria 3000

#### Bankers

National Australia Bank  
Ground Level  
500 Bourke Street  
Melbourne Victoria 3000

#### Stock exchange listings

Shares are listed on the Australian Securities Exchange and trade under the code WLL.



**SHAREHOLDER INFORMATION**

The shareholder information set out below was applicable as at 12 September 2019.

**(a) Distribution of equity securities**

39,229,356 fully paid ordinary shares are held by 1,171 shareholders.

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

The number of shareholders, by size of holding of fully paid ordinary shares are:

1 – 1,000	374
1,001 – 5,000	422
5,001 – 10,000	183
10,001 – 100,000	172
100,001 and over	20
<b>Total shareholders</b>	<b>1,171</b>

There were fifty-three (53) holders of less than a marketable parcel of ordinary shares.

**(b) Substantial shareholders**

	<b>Fully paid ordinary shares</b>	
	<b>Number</b>	<b>Percentage (%)</b>
Well.com Pty Ltd	11,999,587	30.59%
Sidcom Pty Ltd	5,950,991	15.17%
National Nominees Limited	3,765,134	9.60%
	<b>21,715,712</b>	<b>55.36%</b>

**(c) Twenty largest holders of quoted securities**

	<b>Fully paid ordinary shares</b>	
	<b>Number</b>	<b>Percentage (%)</b>
Well.com Pty Ltd	11,999,587	30.59%
Sidcom Pty Ltd	5,950,991	15.17%
National Nominees Limited	3,765,134	9.60%
Citicorp Nominees Pty Ltd	1,884,044	4.80%
Mirrabooka Investments Limited	1,473,588	3.76%
JP Morgan Nominees Australia Limited	1,360,286	3.47%
HSBC Custody Nominees (Australia) Limited	1,224,787	3.12%
Amcil Limited	1,100,636	2.81%
Moggs Creek Pty Ltd	545,705	1.39%
Lawn Views Pty Ltd	431,690	1.10%
Djerriwarrh Investments Limited	400,000	1.02%
Mr Wayne William Sidwell	362,300	0.92%
Kidder Peabody Pty Ltd	259,325	0.66%
Mrs Melinda Karen Tickel	200,000	0.51%
Mr Keith William Kerridge	150,000	0.38%
Dr Gordon Shinewell & Mrs Fay Shinewell	150,000	0.38%
Dr Jeffrey Eric Dale Chick & Dr Pamela Hazel Chick	135,000	0.34%
Almargem Pty Ltd	128,000	0.33%
Mr Ian Harold Holland	115,200	0.29%
Dr John Elmslie Webber & Mrs Kathryn Anne Webber	108,147	0.28%
	<b>31,744,420</b>	<b>80.92%</b>

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