



**World Reach Limited**  
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12 September 2018

The Manager  
Market Announcements Platform  
Australian Securities Exchange

**Annual Report for Year Ending 30 June 2018**

The Company has great pleasure in releasing its Annual Report for the Year Ending 30 June 2018 including the Chairman's Report and the Corporate Governance Statement, as well as the Directors' Report and the audited FY2018 Financial Statements and Notes to the Accounts.

Yours faithfully

A handwritten signature in black ink, appearing to read "Dennis Payne".

Dennis Payne  
Secretary

world reach



**2018**  
**ANNUAL REPORT**



**DIRECTORATE  
NON-EXECUTIVE CHAIRMAN**

Mr Simon Lister Wallace

**MANAGING DIRECTOR**

Mr Michael Ian Capocchi

**NON-EXECUTIVE DIRECTORS**

Mr Carl Cheung Hung

Mr David Paul James Stewart

**COMPANY SECRETARY**

Mr Dennis Frank Payne

**REGISTERED OFFICE**

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Mulgrave, Vic, 3170

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**ASX OFFICE**

Based in Melbourne

**ASX CODE**

WRR

**CONTENTS**

Directorate	1
Testimonials	2
Iridium GO! New Video	3
Chairman's Report	4
Directors' Report	6
Auditor's Independence Declaration	20
Corporate Governance Statement	24
Consolidated Financial Statements	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	32
Consolidated Statement of Financial Position	33
Consolidated Statement of Changes in Equity	34
Consolidated Statement of Cash Flows	35
Notes to the Consolidated Financial Statements	36
Directors' Declaration	56
Auditor's Report	58
Australian Securities Exchange Information	62



***"Excellent shopping experience will definitely come back if we need anything else. Easy to deal with and the online chat staff went above and beyond. Thank You :)"***

*Spaulding.  
Devonport, TAS*



***"Staff were helpful informative friendly and very efficient. As good as it gets."***

*Keith C.  
QLD*



***"Fast hassle free transaction, dealing with professional staff providing good old fashion service."***

*Philip.  
Morley, WA*



***"Really can't thank the staff enough, the ladies are really switched on and know what they're talking about. A big thanks to the staff. Will be doing business with SatPhone Shop more often."***

*Jeff.  
Springwood, QLD*



***"The staff are very polite, efficient and have excellent product knowledge. A pleasure to deal with."***

*Ivan.  
Renmark, SA*



***"Your staff were fantastic to deal with and the follow up was fantastic and so helpful. Will be recommending to others."***

*Kristy.  
Nickol, WA*

# Iridium GO!®

Global Online Smartphone Access



GO! anywhere and keep in touch with friends, family or work.

A small yet powerful device, Iridium GO!® enables you to make calls, send texts, track your location and share your photos online.

***Whatever the application or the need, Iridium GO!® can take your communications further.***



## CHAIRMAN'S REPORT



## ***“Strong organic product sales, including another revenue contribution from SatPhone Shop exceeding \$1M and a fantastic reception of SatPhone Shop’s new website”***

I am pleased to provide the following Chairman's Report on the World Reach Group of companies for the year ended 30 June 2018.

### **Profit Performance, Major Impacts and Outlook**

No, FY2018 was not the year we planned for some 18 months ago. After 3 consecutive years of profits in FY2014, 15 and 16, and a dip into the red in FY2017, the expectation of management and the board was that the significant contracts the Group had secured during those years would realise major deliveries of product, and a profit, through the year.

Alas due to events almost entirely beyond the control of Beam Communications Pty Ltd ('Beam') ([www.beamcommunications.com.au](http://www.beamcommunications.com.au)), two major product shipments were not able to be effected before 30 June and instead will be delayed until early in FY2019. There will be no reduction in the value of the shipments, but the rescheduling of the deliveries had a material impact on the Group's full year result, which was extremely frustrating and disappointing for all stakeholders.

The delivery of the remaining 2618 Thuraya WE units is now expected in this financial year, with its delay having pushed the group into a net loss for the FY2018 year. We remain in heated agreement with our channels, development partners and Thuraya, that this unique product will be enthusiastically received. We look forward to sharing with you confirmation of the commencement of these remaining deliveries, which will release a minimum of USD3,000,000 in contracted revenues within the first 12 months.

The Inmarsat BRM (BGAN Radio Module) development project had been paused and the board took the conservative decision to write-back 100% of the investment at a net cost of \$0.66m. The total cost of the impairment and other project amortization for the FY2018 year was \$1.49m, partly offset by Australian government R&D grants of \$0.49m.

This included amortization of the Thuraya WE project from March 2018 onwards.

Yes, the impact of these modest delays and balance sheet adjustments does reflect the lumpy nature of Beam's business incomes, and our financial sensitivity to timing oscillations, and, yes, we eagerly look forward to these revenues being enjoyed in the 2019 financial year, but when assessed as a single reporting period, FY2018 was quite unsatisfactory.

Beam has now received a fifth order from Iridium for a further 5000 units of the Iridium GO! © product for delivery in the second half of FY2019. This is good news, which will further enhance the profits derived by Beam from this development, whose continued utility and appeal is something of which we and our shareholders should be very proud. Strong organic product sales, including another revenue contribution from SatPhone Shop exceeding \$1M and a fantastic reception of SatPhone Shop's new website, gave the business momentum into the end of the financial year, which has continued in the early part of FY2019.

### **Cash and Funding**

The Group continues to benefit from the Australian Government R&D rebate, which subsidises our costly investments in new product development. \$0.6m was received in July 2017 from the Government R&D fund, which related to expenditure in FY2016. In May 2018 an R&D grant of \$1.1m in cash was received, related to FY2017 development expenditures, both mostly concerning the Thuraya WE project. World Reach received \$1.94m from a share placement on 12 September 2017. The net funds received of \$1.86m were, and will be, used to fund existing and prospective product developments while limiting the Group's reliance on existing debt facilities.

World Reach had previously arranged a secured loan facility of up to \$US2.0m with SGV1 Holdings Limited ('SGV1'). The loan facility has been available since 1 January 2017 and was only recently utilised (in July 2018) to the extent of US\$0.33m. The term of the facility is 36 months (expiring on 1 January 2020). This facility will greatly aid our ability to progress our existing product aspirations.

#### Directors and Investors

World Reach Director, Carl Hung is Managing Director of SGV1, which holds a strategic investment of 17.48% in World Reach. SGV1 is a company associated with Season Group ('Season') of which Mr Hung is President and CEO. The relationship with Season has developed over the past 5 years and is an important and strategic one for World Reach. Importantly Season has engineering and contract manufacturing capabilities around the globe but one that may prove very beneficial for Beam is in the USA, at a time when the US government is tightening trade embargoes on non-USA manufactured products.

The share placement in September 2017 was to Glenayr Pty Ltd, an entity controlled by David Stewart who now holds 19.93% of the shares in World Reach. The placement conferred a right to a board position and I was so pleased when David agreed to join us as a director on 9 November. Previously the MD and CEO of NetComm Wireless Limited until 2016, David brings - and the Group benefits from - his technical and commercial expertise in the assessment of product developments and corporate opportunities.

#### Product Developments

After more than 3 and a half years in development the Thuraya WE is now a reality and only minor software issues are holding up the full launch of the product. It is anticipated that Thuraya WE will be a major contributor to the Group's financial wellbeing in FY2019 and future years.

A number of new products are on the horizon. David Stewart has been influential in appraising the Group of the opportunities that exist in communications outside the purely satellite space. Trials are underway which will test the prospective products and the extent of the market open to Beam for incremental sales especially in FY2020.

The Inmarsat BRM project, while defunct in its original format, is being considered in a revised form with an overseas based contractor engaged to evaluate development of the product at a much lower cost than the original plan.

Another interesting opportunity being investigated currently may require the assistance of an international partner experienced in this particular market segment to bring the product onto the global market. Expectations are that revenues could be achieved from early FY2020. More will be known and announced once sufficient progress has been made.

In the coming year Beam will be engaged with Iridium on the development of new products along with the enhancement of existing products to support the newest satellite constellation deployed by Iridium. This new constellation will introduce enhanced speeds and IP capabilities not previously available on the Iridium network.

Some of these new projects will require significant cash development funds, while other products are likely to require much less engineering and development time. Beam's reputation for innovative and quality communications developments continues to be enhanced.

#### Staff and Board

As much of rural Australia battles with drought, we are reminded that cutting ourselves to profit is not a tolerable strategy. We must continue to invest, tend our commercial fields and position ourselves to benefit most from a change in conditions, which we can already see has begun. I would like to thank my fellow Non-executive Directors, Carl Hung and David Stewart for their respective valuable insights. In addition, I again express my appreciation to our Managing Director and CEO, Michael Capocchi, as well as Michael's executive team and staff, for maintaining morale and high standards as we work collectively to build a business while delivering the best possible returns for our shareholders.



Mr Simon Wallace  
Chairman  
Date: 12 September 2018



## DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2018.

## DIRECTORS

The persons who have been a Director of the Company since the start of the financial year to the date of this report are:

Simon Lister Wallace  
Michael Ian Capocchi  
Carl Cheung Hung  
David Paul James Stewart

The qualifications, experience and special responsibilities of each of the directors who held office during the year are:



### **Simon Lister Wallace**

*Chairman*

Age: 44

Simon Wallace is a corporate lawyer and, based in Melbourne, he is presently an equity partner of Dentons, which is the largest law firm in the world.

Simon has extensive legal and commercial proficiency, with particular expertise in the areas of project finance, fundraising and corporate governance. He also has substantial professional experience in the areas of investment banking, structured and direct equity investments, product formulation and sales.

More recently, he was a director of ASX-listed Hastings Rare Metals Limited (now known as Hastings Technology Metals Limited). Simon is admitted to practise as a barrister and solicitor of the Supreme Court of Victoria, the Federal Court of Australia and the High Court of Australia, and he holds degrees from the Australian National University in both Law and Commerce.

Simon has been a Director since 5 February 2015 and was elected Chairman on 22 December 2016.



### **Michael Ian Capocchi**

*Managing Director*

Age: 47

Michael Capocchi has over 20 years' experience in the ICT industry and has held several senior management positions. Michael is based in Chicago, USA, which places him closer to the important centres for satellite communications in the USA and UK/Europe.

Michael joined World Reach Limited as the General Manager of the subsidiary, Beam Communications Pty Ltd, in 2003 and was appointed as Managing Director of World Reach Limited in March 2008.

Prior to joining World Reach, Michael was the Regional Sales Director for Iridium Satellite LLC, directly managing the sales, distribution and channel management strategies for the Asia-Pacific region.

Michael has held senior management positions as the Sales and Marketing Director of Pacific Internet responsible for establishing the Australian operations of the company and with Optus Communications and Myer Stores Limited.

Michael Capocchi is an integral part of the World Reach business, including managing the day to day operations of the group which occasions extensive domestic and international travel.



### **Carl Cheung Hung**

*Non Executive Director*

Age: 34

Carl Hung has a Bachelor of Commerce degree from the University of British Columbia and an Executive Masters of Business Administration from University of Western Ontario's (UWO) Richard Ivey School of Business. He is a Six Sigma Black Belt certified by SGS. He is also a Certified Management Accountant.

Carl is President and CEO of Season Group International Inc, a global Electronic Manufacturing Services provider. He has helped grow the company from USD15 million in 2002 to USD161 million in 2016, expanding the company's footprint from China, Canada and Malaysia to include the USA, Mexico and the UK.

Season Group has been the preferred contract manufacturer for Beam Communications Pty Ltd for several years and has been instrumental in rationalising Beam's manufacturing and supply processes.

Carl has been a Director of World Reach Limited since 21 February 2013.



### **David Paul James Stewart**

*Non Executive Director*

(appointed 9 November 2017)

Age: 64

David Stewart is an experienced CEO and successful entrepreneur with more than 30 years in management and business leadership roles. David founded Banksia Technology Pty Limited in 1988 and successfully managed the company as a fast growing and highly profitable business. In 1996 he instigated the successful takeovers of a number of his competitors, including NetComm Limited, which was completed in November 1997. David assumed the role of CEO and Managing Director until retiring in December 2016. A year later David was appointed as a Non-Executive Director of NetComm Wireless and remains the single largest shareholder.

In June 2016 David was recognised for his significant and valuable contribution to the Australian communications industry with the presentation of the Communications Ambassador 2016 award. The Australian Communications Ambassador award is the highest honour presented by ACOMMS Communications Alliance and CommsDay each year.

Since retiring, David began working with a number of tech startups in an advising and investing capacity. He was announced as Chairman for Pycom on 1 July 2017 and a Director of World Reach Limited on 9 November 2017, following investments in both. At the start of 2018, David joined the board of Lockbox Technologies.

### **Indemnification of Directors and Officers**

During the year, the economic entity has paid premiums in respect of an insurance contract to indemnify its directors and officers against liabilities that may arise from their positions. Directors and officers indemnified include all Directors, the Company Secretary and all executive officers participating in the management of the economic entity.

Further disclosure required under section 300(9) of the Corporations Law is prohibited under the terms of the insurance contract.

### **Directorships of Other Listed Companies**

Simon Wallace held the position of non-executive director of Hastings Rare Metals Ltd from 9 December 2013 to 18 November 2014. David Stewart is a non-executive director of NetComm Wireless Limited. No other director of World Reach Limited has been a director of a listed company in the three years immediately before the end of the financial year.

### **COMPANY SECRETARY**

**Dennis Frank Payne** has held the position of Company Secretary since 2010. Dennis joined the Company in 2005 and has also served since that date as Chief Financial Officer.

Prior to joining World Reach Limited Dennis held senior financial and commercial roles at Cadbury Schweppes and Optus Communications. He has a Bachelor of Economics and is a qualified CPA.

### **PRINCIPAL ACTIVITIES**

The activities of the company and its controlled entities during year were the development and marketing of a range of communication products and services, mainly satellite based.



## OPERATING RESULTS AND REVIEW OF ACTIVITIES

The Consolidated Group reports a total comprehensive loss of \$1,565,134 for the FY2018 year on total revenue of \$11,638,170 (2017: total comprehensive loss of \$558,320 on revenue of \$9,880,153).

A summary of the result for the year is as follows:

	2018 \$000	2017 \$000
<b>Revenue</b>	<b>11,638</b>	<b>9,880</b>
<b>Deduct</b>		
Cost of goods sold, research & development, administrative marketing and corporate expenses	12,245	9,751
Operating profit before amortisation, depreciation, interest and tax	(607)	129
<b>Deduct</b>		
Amortisation	694	424
Depreciation	77	78
Interest	54	50
Loss before income tax	(1432)	(423)
Tax (expense)	(133)	(135)
Loss for the year	(1565)	(558)
Total comprehensive Loss for the year	(1565)	(558)

### Performance and Profit

The Group's financial year result for 2017/18 was greatly influenced by the timing of major product shipments, both those completed and those in the end delayed until FY2019.

In the Half Year Financial Report, the Group reported a before tax loss of \$568,000 for the first half of FY2018, but the Board considered and agreed that the outlook for the second half of that FY, inclusive of the anticipated major contract sales and deliveries, would "deliver a lift in gross and net profit which will produce a profit result for the full financial year to 30 June 2018".

While working to increase the Group's base sales revenue in the second half of FY2018,

which pleasingly was exceeded by over 20% the comparable revenues enjoyed in the first half of FY2018, Beam Communications Pty Ltd ('Beam') the subsidiary company concerned, has also been pursuing the completion of those major contract deliveries. Due to events almost entirely beyond Beam's control the two major product shipments were not able to be affected before 30 June 2018 but will instead be delayed until the first quarter of FY2019. There will be no reduction in the quantum or value of the shipments, which are the subject of contractually enforceable commitments, but the rescheduling of the deliveries had a material impact on the Group's full year result. While this was a frustrating and disappointing outcome, and reflects the lumpiness of our business, we look forward to expanding our product suite in FY2019.

In October 2017 the delivery of 2500 Iridium GO! ® units to Iridium completed the third major order for this product. The first half of the fourth order for 5000 Iridium GO! ® units was delivered in March 2018 and it was expected that the balance would be delivered in June. Due to a very minor cosmetic issue, not relating to the product's function or performance, the release of the last 2500 units was delayed until early July, while this product labelling issue was easily rectified and at no cost to Beam. Beam has now received a fifth order from Iridium for a further 5000 units for delivery in the second half of FY2019.

As reported at the half year and again recently in the 2018 Outlook Update, Beam had previously experienced issues that were delaying the finalisation of the Thuraya WE unit's software. Those issues unfortunately, and unexpectedly, lingered and hampered efforts to complete the contracted delivery of 3000 units within the financial year. Once again, rectification is expected to take place relatively quickly (within Q1 of FY 2019).

Due to the magnitude of these unfulfilled shipments within FY2018, the consequential impact on the Group's annual profit, World Reach Limited, the parent company, ('World Reach') was obliged to advise the market of a significant adjustment of its anticipated annual result, which was released on 26 June. Until it was finally determined that the above shipments were not possible to be made before 30 June, the Group was confidently anticipating a Net Profit Before Tax broadly in line with forecasts. The lack of the two major shipments meant that the Group's

profit position moved from an anticipated NPBT to a substantial loss. Although the revelation was very disappointing, the Board is significantly comforted by management's firm expectation that deliveries would be made in the September quarter and that this represents merely a deferral of contractually assured revenues.

The size and impact of the adjusted revenue scheduling is reflective both of the lumpy nature of Beam's business incomes and also the significant revenues that Beam expects to receive from further orders of these products in the 2019 financial year.

In addition, the decision was made to write-back 100% of the Inmarsat BRM (BGAN Radio Module) development project which had been subject to rolling changes and delays, and was currently on hold, at a net cost of \$0.66m. The total cost of the impairment and other project amortization for the FY2018 year was \$1.49m, partly offset by take up of corresponding Australian government R&D grants at \$0.49m. This included amortization of the Thuraya WE project from March 2018 onwards.

The largely offsetting influences on the value of the tax asset carried forward, being the FY2018 loss itself and the major R&D grants received, resulted in a tax expense for the year of \$120,000 related to the Group's Australian companies, and \$13,000 for our USA subsidiary.

Although the Directors expect sufficient future profitability to enable the full value of deferred tax assets, which now stand at \$1.23m (being 60% of the total tax-effected losses carried forward) to be utilized, the decision has been taken not to increase the proportion taken up at this time, with a demonstration of the Group's return to profitability required before the board would consider doing so.

### Cash and Funding

The delays to revenue had a predictably negative impact on cash generation for the reporting period. Although the Group had prudently revised its new product development program and exercised strong operational cash control, there were several material influences on our cash position and generation in FY2018:

- \$0.6m was received in July 2017 from the Australian Government R&D fund, which subsidises costly investment in new product development, related

to expenditure in FY2016. This is only brought to profit on a monthly straight-line basis matching the amortization of the related development project.

- In May 2018 an R&D grant of \$1.1m in cash was received, related to FY2017 development expenditures, mostly concerning the Thuraya WE project.
- In August 2017, World Reach announced an investment of \$1.94m by way of a share placement, which was completed on 12 September 2017. The net funds received of \$1.86m were, and will be, used to fund existing and prospective product developments while limiting the Group's reliance on existing debt facilities.
- To ensure funding for its continuing development program, World Reach had previously entered into a loan agreement for a secured loan finance facility of up to \$US2.0m, ('Finance Facility') by SGV1 Holdings Limited ('SGV1'). The interests of SGV1 are secured by a general security interest granted over the Company's assets and undertakings. The security ranks behind the interests of the Group's transactional financier, National Australia Bank Limited. The Finance Facility has been available from 1 January 2017 and was only recently utilised (in July 2018) to the extent of US\$0.33m. The term of the facility is 36 months (expiring on 1 January 2020).

The Board believes the Group has secured the requisite financial accommodation to fund the Group's ongoing investment in currently approved product developments, and when combined with minimum contracted revenues of over US\$3.0m in respect of Thuraya WE deliveries, we believe the Group is well placed to cope with the periods of volatility that are typical of our business.

#### Outlook and Products

As mentioned above, there has been a substantial shift of revenues into the 2019 financial year. Although this may potentially delay some succeeding orders, base product sales by Beam are holding strong, such that we believe that the Group's total sales revenues will increase substantially over FY2018.

In addition, the growth of SatPhone Shop, World Reach's on-line business, will enhance our FY2019 performance, with steadily

improving sales figures and revenues of over \$1.0m enjoyed in FY2018. SatPhone Shop is expected to contribute incremental revenue gains in FY2019 as the market for rental equipment and pre-paid sim cards expands.

Extensive revisions to Beam's new product development program during 2017 led to the acceleration of later projects and also the augmentation of our existing and prospective product lines, including those with utility outside the purely satellite space. A range of sample products is being trialed at present and it is anticipated that a modest level of incremental sales will be achieved later in FY2019, ramping up in FY2020. The Inmarsat BRM project, while defunct in its original format, is being considered in a revised form with an external contractor engaged to perform the initial design investigation. Some of these new projects will require significant cash development funds, possibly in place of expenditure on the BRM development, while other products are likely to require much less engineering and development time.

One of the interesting projects being worked on currently may require the partnership of an experienced international partner to bring the product into the global market. This product and revenue would not replace but add to our existing product offerings. Expectations are that revenues could be achieved from late FY2019 and the Directors look forward to advising investors once significant progress has been made.

The Board remains determined to continue investments in innovative and advanced technologies over the medium and long terms.

#### Directors and Investors

World Reach Director, Carl Hung is Managing Director of SGV1, which holds a strategic investment of 17.48% in World Reach. SGV1 is a company associated with Season Group ('Season') of which Mr Hung is President and CEO. The relationship with Season has developed over the past 5 years and is an important and strategic one for World Reach. Apart from a significant role in assisting with engineering, tool making and testing services, its contract manufacturing facilities in Guangdong, China, as well as the USA, provides flexible market options especially at a time when the US government is tightening trade embargoes on non-USA manufactured products.

The share placement in September 2017 was to related party Glenayr Pty Ltd, an entity controlled by David Stewart who now holds

19.93% of the shares in the World Reach. The placement conferred a right to a board position which Mr Stewart enthusiastically accepted and David was welcomed to our board on 9 November. David is Sydney based and was MD/CEO of Netcomm Limited until retirement in 2016. The Group has already benefited from David's technical and commercial expertise in the assessment of product developments.

The placement and David's decision to join the board reflects the investor's positive view of the Group's growth prospects in the communications sector as it continues to embark on the release of new and innovative communication products.

Despite the result in FY2018, the Directors are confident that the Group's revenues in FY2019 will be greatly enhanced and, as a consequence, return the Group to a significant profit situation once again. We look forward to updating the market, in the near future, on successfully completed major shipments as well as the progress of our new product developments.

#### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Other than those noted above, there were no significant changes in the state of affairs of the Consolidated Group during the financial year.

#### EVENTS AFTER REPORTING DATE

On 5 July 2018 the Group released a statement which announced the dispatch of the delayed shipment of 2500 Iridium GO!® units which completed the fourth order from Iridium. On 17 July the Group announced the receipt of a fifth order from Iridium for 5000 Iridium GO!® units to be delivered in the second half of FY2019.

Other than the above, there have been no significant events since the end of the reporting period.

#### DIVIDENDS PROPOSED OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

#### ENVIRONMENTAL ISSUES

The economic entity's operations are not regulated by any significant environmental regulation under any Commonwealth, State or Territory laws.

**FUTURE DEVELOPMENTS**

The company will continue the development of the Satellite Communications Services and related businesses.

**SHARES ISSUED ON THE EXERCISE OF OPTIONS**

No ordinary shares of the Company were issued during the year ended 30 June 2018 on the exercise of options.

**DIRECTORS' INTERESTS**

The relevant interests of the Directors in the securities of the Company are detailed in the Remuneration Report as part of the Directors' Report.

**SHARES UNDER OPTION**

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Issue Date	Date of Expiry	Exercise Price	Number Under Option
31.03.15	31.03.20	\$0.1950	789,525
24.12.15	31.08.20	\$0.1950	789,525
24.12.15	30.11.20	\$0.1950	907,500
			<u>2,486,550</u>

**DIRECTORS' MEETINGS**

During the year ended 30 June 2018 the Company held 15 meetings of Directors (including Audit Committee meetings). Attendances by each Director during the year were:

Director	Directors meetings		Committees	
	Attended	Maximum Possible	Attended	Maximum Possible
M Capocchi	12	12	0	0
D Stewart	6	6	0	0
C Hung	10	12	3	3
S Wallace	12	12	3	3

**REMUNERATION REPORT (Audited)**

This report details the nature and amount of remuneration for each director of World Reach Limited, and for the executives receiving the highest remuneration.

**Remuneration Policy**

The Company is committed to remunerating its executive directors and senior executives in a manner that is market competitive, consistent with best practice and supports the interests of shareholders. The Company aims to align the interests of executive directors and senior executives with those of shareholders by remunerating through performance and long-term incentive plans in addition to fixed remuneration.

The remuneration of Non-executive Directors is determined by the Board having regard to the level of fees paid to non-executive directors by other companies of similar size and stature and in aggregate must not exceed the maximum annual amount approved by the Company's shareholders, currently \$500,000 as determined at the General Meeting held on 3 August 2007.

Senior executives' remuneration consists of the following elements:

- fixed salary;
- short-term incentive bonus where applicable based on performance;
- long-term incentive share option scheme; and
- other benefits including superannuation.

**Fixed Salary**

The salary of senior executives is determined from a review of the market and reflects core performance requirements and expectations. In addition, the Company considers the following:

- The scope of the individual's role;
- The individual's level of skill and experience;
- The Company's legal and industrial obligations;
- Labour market conditions; and
- The size and complexity of the Company's business.

**Performance Bonus**

The purpose of the performance bonus is to reward an individual's actual achievement of performance objectives and for materially improved company performance. Consequently, performance-based remuneration is paid where a clear

contribution to successful outcomes for the company is demonstrated and the individual attains and excels against pre-agreed key performance indicators during a performance cycle.

For FY2018 the Managing Director had a performance bonus potential of 10% of the Group net profit for the financial year, subject to the achievement of a minimum operating profit before amortisation, depreciation, interest and tax of \$1,000,000. The minimum target level was not attained and therefore none of the Managing Director's potential performance bonus became payable.

For FY2019, under a new contract, a greater portion of the Managing Director's remuneration will be at risk.

No other key management executive has a contractual performance bonus entitlement. In assessing the relative performance of the senior executives and the Group as a whole on the primary objective of enhancing shareholder value, the board has regard to key financial indicators measured over time. In accordance with Section 300A of the Corporations Act 2001 the following table summarises the Group's performance over the last 5 years.

	2018	2017	2016	2015	2014
Net profit/ (loss) before tax (\$'000)	(1,432)	(423)	417	645	439
EBITDA (\$'000)	(607)	129	1,363	2,571	1846
Basic earnings / (loss) per share (cents)	(3.07)	(1.29)	1.12	5.13	3.45
Share price at 30 June (\$)	0.16	0.13	0.23	0.31	0.33
Market Capitalisation at 30 June	8.46	5.61	9.93	13.38	4.83
Dividends per share	Nil	Nil	Nil	Nil	Nil

The board believes that due to the nature of the Group's business there are often major influences on a particular financial year's profit result that are largely beyond the direct control of senior executives, such as the 'bring to market date' of products from long term development projects. This was the case in FY2018 where the later than expected completion of the Thuraya WE project severely restricted the Group's overall financial results. Further, the board accepts that the Group's net profit result is not wholly

reflective of the performance of senior executives during the year, however it does acknowledge that the FY2018 result (and as was the case also for FY2017) does not justify the payment of incentives for this period.

## **REMUNERATION REPORT (continued)**

### *Long-term Incentives*

The Company's Share Options Incentive Plan in which executive directors and senior executives may participate was approved by shareholders on 27 October 2017 and authorises the Directors to issue up to 10% of the issued shares.

The Company ensures that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

No options were issued to key management personnel or to Directors during FY2018.

### *Other Benefits*

Senior executives are entitled to statutory superannuation and other bonus payments subject to the discretion of the Managing Director and the Board.

## **Employment Contracts**

### *Employment Contracts of Senior Executives*

A newly negotiated employment contract for the Managing Director was executed by the Company and Michael Capocchi on 30 June 2018 under which he will continue as Managing Director and CEO of the Company on an ongoing basis but with a minimum term of 2 years. The terms of Mr Capocchi's contract were renegotiated such that the fixed base salary was reduced, and a greater portion of his remuneration will now be at risk. The contract can be terminated by either the Company or Mr Capocchi with a minimum of 9 months' notice, subject to completion of the minimum term.

All other key management personnel are permanent employees.



**REMUNERATION REPORT (continued)**

(a) Names and positions held of consolidated group and parent entity Key Management Personnel in office at any time during the financial year are:

**Directors**

Mr S Wallace	Non-Executive Chairman
Mr M Capocchi	Executive Managing Director
Mr C Hung	Non-Executive Director
Mr D Stewart	Non-Executive Director (appointed 9 November 2017)

**Other key management personnel**

Mr D Payne	Chief Financial Officer and Company Secretary
Mr W Christie	Chief Technical Officer

(b) Details of remuneration for the year

The remuneration for each director and each of the other key management personnel of the consolidated group receiving the highest remuneration during the year was as follows:

2018	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total \$	Performance related %	Remuneration consisting of options %
	Cash salary & fees \$	Cash bonus & Commissions \$	Motor vehicle & other allowances \$	Employee benefits payable [b] \$	Super-annuation \$	Employee benefits payable \$	Eligible termination benefits \$	Options [a] \$			
<b>Directors</b>											
Mr S Wallace	44,216	-	-	-	-	-	-	-	44,216	0.00%	0.00%
Mr M Capocchi [c]	477,107	-	47,031	24,599	45,303	9,138	-	-	603,178	0.00%	0.00%
Mr C Hung	44,216	-	-	-	-	-	-	-	44,216	0.00%	0.00%
Mr D Stewart	27,777	-	-	-	-	-	-	-	27,777	-	-
<b>Other</b>											
Mr D Payne	188,147	-	-	(812)	17,874	(5,519)	-	-	199,690	0.00%	0.00%
Mr W Christie	171,275	-	-	(2,641)	16,271	3,299	-	-	188,204	0.00%	0.00%
<b>Total</b>	<b>952,738</b>	<b>-</b>	<b>47,031</b>	<b>21,146</b>	<b>79,448</b>	<b>6,918</b>	<b>-</b>	<b>-</b>	<b>1,107,281</b>		

  

2017	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total \$	Performance related %	Remuneration consisting of options %
	Cash salary & fees \$	Cash bonus & Commissions \$	Motor vehicle & other allowances \$	Employee benefits payable [b] \$	Super-annuation \$	Employee benefits payable \$	Eligible termination benefits \$	Options [a] \$			
<b>Directors</b>											
Mr D Dawson	20,833	-	-	-	-	-	-	-	20,833	0.00%	0.00%
Mr S Wallace	45,138	-	-	-	-	-	-	-	45,138	0.00%	0.00%
Mr M Capocchi [c]	456,966	-	31,655	(2,643)	43,412	9,366	-	-	538,756	0.00%	0.00%
Mr C Hung	45,138	-	-	-	-	-	-	-	45,138	0.00%	0.00%
<b>Other</b>											
Mr D Payne	186,748	-	-	(2,050)	17,741	(3,929)	-	-	198,510	0.00%	0.00%
Mr W Christie	170,000	-	-	1,196	16,150	3,273	-	-	190,619	0.00%	0.00%
<b>Total</b>	<b>924,823</b>	<b>-</b>	<b>31,655</b>	<b>(3,497)</b>	<b>77,303</b>	<b>8,710</b>	<b>-</b>	<b>-</b>	<b>1,038,994</b>		

[a] Option based compensation relates to the value of options issued to date and brought to account pro-rata to the time period from the date of granting to the date of vesting, except where Accounting Standard AASB 2 required expensing to begin from the commencement of service related to those options, notwithstanding that the issue of those options, in the case of Directors was subject to shareholder approval, and in the case of key management employees, subject to performance review.

[b] Employee benefits payable represents net increase in benefits payable charged to the consolidated statement of profit or loss and other comprehensive income in the current year.

[c] The majority of Mr Capocchi's remuneration is in US dollars. For 2018 his remuneration has been converted into AU dollars at the exchange rate on 30 June 2018 of 0.7391.

## REMUNERATION REPORT (continued)

### (c) (i) Options granted as part of remuneration for the year

2018	Grant date [a]	Granted number	Value per option at grant date \$	Value of options granted during the year \$	Value of options exercised during year \$	Value of options lapsed during year \$	Total \$
<b>Directors</b>							
Mr S Wallace	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	(81,900)	(81,900)
Mr C Hung	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-
<b>Other</b>							
Mr D Payne	-	-	-	-	-	-	-
Mr W Christie	-	-	-	-	-	-	-
<b>2017</b>							
2017	Grant date [a]	Granted number	Value per option at grant date \$	Value of options granted during the year \$	Value of options exercised during year \$	Value of options lapsed during year \$	Total \$
<b>Directors</b>							
Mr D Dawson	-	-	-	-	-	(96,400)	(96,400)
Mr S Wallace	-	-	-	-	-	(48,600)	(48,600)
Mr M Capocchi	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-
<b>Other</b>							
Mr D Payne	-	-	-	-	-	(1,300)	(1,300)
Mr W Christie	-	-	-	-	-	(1,300)	(1,300)

[a] Option based compensation relates to the value of options issued to date and brought to account pro-rata to the time period from the date of granting to the date of vesting, except where Accounting Standard AASB 2 required expensing to begin from the commencement of service related to those options, notwithstanding that the issue of those options, in the case of Directors was subject to shareholder approval. Until shareholder approval was obtained at the Annual General Meeting in November 2015 and the options subsequently issued, the options were not deemed to be granted.

**REMUNERATION REPORT (continued)****(c) (ii) Options granted and/or vested during the year**

Terms & conditions for each grant								
2018	Vested No.	Granted No.	Grant date [a]	Value per option at grant date \$	Exercise price \$	Expiry date	First exercise date	Last exercise date
<b>Directors</b>								
Mr S Wallace	-	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-	-
<b>Other</b>								
Mr D Payne	-	-	-	-	-	-	-	-
Mr W Christie	-	-	-	-	-	-	-	-
<b>Total</b>	-	-						

Terms & conditions for each grant								
2017	Vested No.	Granted No.	Grant date [a]	Value per option at grant date \$	Exercise price \$	Expiry date	First exercise date	Last exercise date
<b>Directors</b>								
Mr D Dawson	-	-	-	-	-	-	-	-
Mr S Wallace	-	-	-	-	-	-	-	-
Mr M Capocchi	200,000	-	-	0.1480	0.6500	01/07/17	01/07/16	01/07/17
Mr C Hung	-	-	-	-	-	-	-	-
<b>Other</b>								
Mr D Payne	-	-	-	-	-	-	-	-
Mr W Christie	-	-	-	-	-	-	-	-
<b>Total</b>	<b>200,000</b>	-						

[a] Option based compensation relates to the value of options issued to date and brought to account pro-rata to the time period from the date of granting to the date of vesting, except where Accounting Standard AASB 2 required expensing to begin from the commencement of service related to those options, notwithstanding that the issue of those options, in the case of Directors was subject to shareholder approval. Until shareholder approval was obtained at the Annual General Meeting in November 2015 and the options subsequently issued, the options were not deemed to be granted.

For further details relating to options, refer to Note 18 to the financial statements.

**REMUNERATION REPORT (continued)****(d) Option holdings**

The number of options over ordinary shares in the Company held during the financial year by each key management person including their personally related parties is set out below.

2018	Balance 1.07.17	Granted as Remuneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.18	Total Vested 30.06.18	Exercisable 30.06.18	Unexer- cisable 30.06.18
<b>Directors</b>									
Mr S Wallace	-	-	-	-	-	-	-	-	-
Mr M Capocchi	1,507,500	-	-	-	(600,000)	907,500	907,500	907,500	-
Mr C Hung	-	-	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-	-	-
<b>Other</b>									
Mr D Payne	381,150	-	-	-	-	381,150	381,150	381,150	-
Mr W Christie	544,500	-	-	-	-	544,500	544,500	544,500	-
<b>Total</b>	<b>2,433,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(600,000)</b>	<b>1,833,150</b>	<b>1,833,150</b>	<b>1,833,150</b>	<b>-</b>

2017	Balance 1.07.16	Granted as Remuneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.17	Total Vested 30.06.17	Exercisable 30.06.17	Unexer- cisable 30.06.17
<b>Directors</b>									
Mr D Dawson	400,000	-	-	-	(400,000)	-	-	-	-
Mr S Wallace	400,000	-	-	-	(200,000)	-	-	-	-
Mr M Capocchi	1,507,500	-	-	-	-	1,507,500	1,507,500	1,507,500	-
Mr C Hung	-	-	-	-	-	-	-	-	-
<b>Other</b>									
Mr D Payne	391,150	-	-	-	(10,000)	381,150	381,150	381,150	-
Mr W Christie	554,500	-	-	-	(10,000)	544,500	544,500	544,500	-
<b>Total</b>	<b>3,053,150</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(620,000)</b>	<b>2,433,150</b>	<b>2,433,150</b>	<b>2,433,150</b>	<b>-</b>

**REMUNERATION REPORT (continued)****(e) Share Holdings**

The number of shares in the Company held during the financial year by each key management person including their personally related parties are set out below.

2018	Balance 1.07.17	Received as Remuneration	Options Exercised	Placement Issue [b]	Net Change Other [a]	Balance 30.06.18
<b>Directors</b>						
Mr S Wallace	178,600	-	-	-	-	178,600
Mr M Capocchi	1,603,899	-	-	-	-	1,603,899
Mr C Hung	9,243,207	-	-	-	-	9,243,207
Mr D Stewart	-	-	-	9,700,000	840,000	10,540,000
<b>Other</b>						
Mr D Payne	328,570	-	-	-	-	328,570
Mr W Christie	62,778	-	-	-	-	62,778
	11,417,054	-	-	9,700,000	840,000	21,957,054

2017	Balance 1.07.16	Received as Remuneration	Options Exercised	Placement Issue [b]	Net Change Other [a]	Balance 30.06.17
<b>Directors</b>						
Mr D Dawson	300,000	-	-	-	(300,000)	-
Mr S Wallace	-	-	-	-	178,600	178,600
Mr M Capocchi	1,408,561	-	-	-	195,338	1,603,899
Mr C Hung	9,243,207	-	-	-	-	9,243,207
<b>Other</b>						
Mr D Payne	328,570	-	-	-	-	328,570
Mr W Christie	62,778	-	-	-	-	62,778
	11,343,116	-	-	-	73,938	11,417,054

[a] Net Change Other refers to shares purchased or sold on-market or off-market at current market prices during the financial year.

[b] Placement Issue refers to the placement of ordinary shares to Glenayr Pty Ltd, a company owned by Mr Stewart, on 12 September 2017

## REMUNERATION REPORT (continued)

### (f) Convertible notes

No convertible notes were issued, sold or matured during the financial year to key management personnel in the financial year ended 30 June 2018 or the comparative year ended 30 June 2017.

### (g) Shares issued on exercise of remuneration options

No options were exercised by key management personnel during the financial year ended 30 June 2018 or the comparative year ended 30 June 2017.

### (h) Voting and comments made at the Company's 2017 Annual General Meeting (AGM)

At the Company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report at the AGM.

## AUDITOR

RSM Australia Partners was appointed Company auditor on 28 November 2013 and will continue in office in accordance with section 327 of the Corporations Act 2001. Pursuant to section 324 DAB of the Corporations Act 2001, the Board of 4 April 2018, following a recommendation from the Audit Committee, approved that Jason Croall, a partner of RSM Australia Partners may continue to play a significant role in the audit of the company for a further 2 years until the financial year ended 30 June 2020.

Reasons for the extension include continuity of knowledge and experience that Jason has accumulated over the years, as well as, key relationships formed during this period' is considered a material benefit to maintaining the quality of audit work for a further period covering the two financial years ending 30 June 2019 and 2020.

The Board is satisfied that the extension of the auditor rotation period is consistent with maintaining the quality of the audit and would not give rise to conflict of interest situation. RSM Australia Partners has agreed to extend the above extension.

## NON AUDIT SERVICES

No non audit services were undertaken by the external auditors during the year ended 30 June 2018.

## AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is attached and forms part of the Directors' Report.

Signed in accordance with a resolution of the Board of Directors dated 30 August 2018.



Mr Simon Wallace  
Chairman  
Date: 30 August 2018



**RSM Australia Partners**

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**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of World Reach Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'J S Croall'.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read 'J S Croall'.

**J S CROALL**  
Partner

Dated: 30 August 2018  
Melbourne, VIC

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## CORPORATE GOVERNANCE

The Directors of World Reach Limited (Company) are committed to protecting and enhancing shareholder value and conducting the company's business ethically and in accordance with the highest standards of corporate governance.

In accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations: 3rd Edition (the Principles), the corporate governance statement reports on the Company's adoption of the Principles on an exception basis. This statement provides specific information whereby disclosure is required of any recommendations that have not been adopted by the Company, together with the reasons why they have not been adopted. The Company's corporate governance principles and policies are therefore structured with reference to the Principles, which are as follows:

1. *Lay solid foundations for management and oversight.*
2. *Structure the Board to add value.*
3. *Act ethically and responsibly.*
4. *Safeguard integrity in corporate reporting.*
5. *Make timely and balanced disclosure.*
6. *Respect the rights of security holders.*
7. *Recognise and manage risk.*
8. *Remunerate fairly and responsibly.*

### 1. Lay Solid Foundations for Management and Oversight

#### Recommendation 1.1: The Board and Senior Management – Roles and Responsibilities Board Processes

The Board recognises that its responsibilities should accord with the following general principles:

- the Board should be made up of a majority of Independent Directors;
- the Chairman of the Board should be an Independent Director;
- the roles of Chairman and Chief Executive Officer should not be exercised by the same person;
- the Board should meet on a monthly basis;
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each Director prior to that meeting; and
- Directors are entitled to seek independent professional advice.

To assist in the execution of its responsibilities the Board has established an Audit Committee with a formalised charter and operating principles. Activities which may be conducted by separate committees in a larger company such as Directors Nomination, Risk Management and Remuneration are dealt with by the full Board as separate and specific agenda items in accordance with the principles and policies set down in the Company's corporate governance programme.

The Company has adopted a Board Charter which details the functions and responsibilities of the Board of Directors. A copy of the Board Charter is on the Company's website. The employment contract between the Company and the Chief Executive Officer and the letter of engagement for the Chief Financial Officer and senior executives details the terms of employment, job specifications and responsibilities.

#### The Role of the Board of Directors

The World Reach Board is responsible to its shareholders for the protection and enhancement of long term shareholder value.

To fulfil this role the Board is responsible for:

- oversight of the Group, including its controls, risk management, financial structures and accountability systems;
- setting strategic direction for management with a view to maximising shareholder value;
- input into and final approval of strategic plans and goal and performance objectives and key operational and financial matters;
- determining dividend payments;
- selecting, appointing and reviewing the performance of the Chief Executive Officer (CEO);
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (CFO) and Company Secretary;
- approval of annual and half yearly financial reports and related Australian Stock Exchange reports;
- selecting and appointing new non-executive directors;
- approving major capital expenditure and acquisitions;
- evaluating the Board's performance and that of individual directors;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and

legal compliance;

- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- dealing with approaches to take over the company; and
- approving and monitoring financial and other reporting.

#### Chairman's Appointment and Responsibilities

The Chairman is appointed by the board from the non-executive directors. The Chairman:

- provides appropriate leadership to the board and the Company;
- ensures membership of the board is balanced and appropriate for the Company's needs;
- facilitates board discussions to ensure the core issues facing the organisation are addressed;
- maintains a regular dialogue and mentor relationship with the Chief Executive Officer;
- monitors board performance; and
- guides and promotes the on-going effectiveness and development of the board and individual directors.

#### Conduct of Board Business

The Board normally holds monthly formal board meetings and will also meet whenever necessary to carry out its responsibilities. In the year ended 30 June 2018, the Board and/or its committees met 15 times. When conducting Board business, Directors have a duty to question, request information, raise any issue of concern, and fully canvas all aspects of any issue confronting the Company and vote on any resolution according to their own judgment. Directors keep confidential, board discussions, deliberations and decisions that are not publicly known.

#### Access to Information

Directors are encouraged to access members of the senior management team at any time to request relevant information in accordance with protocols adopted by the Board. Where Directors perceive an irregularity in a Company related matter, they are entitled to seek independent advice at the Company's expense. Directors must ensure that the costs are reasonable and must inform the Chairman before the advice is sought. The advice must be made available to the rest of the Board.

**Independent Professional Advice**

Each Director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

**Conflicts of Interest**

Directors are required to continually monitor and disclose any potential conflicts of interest that may arise. Directors must:

- disclose to the Board any actual or potential conflicts of interest that may exist as soon as the situation arises;
- take necessary and reasonable steps to resolve any conflict of interest within an appropriate period, if required by the Board or deemed appropriate by that director; and
- comply with the Corporations Act requirements about disclosing interests and restrictions on voting.

Directors should discuss with the Chairman any other proposed Board or executive appointments they are considering undertaking and advise the Company of their appointments to other companies as soon as possible after the appointment is made.

The same requirement exists for related party transactions including financial transactions with the Company. Related party transactions are reported in writing to the Company Secretary and where appropriate, raised for consideration at the next board meeting.

**Retirement of Directors**

One-third of the Directors are required to retire by rotation at each Annual General Meeting (AGM). The Directors to retire at each AGM are those who have been longest in office since their last election. Where Directors have served for equal periods, they may agree amongst themselves or determine by lot who will retire. A Director must retire at the third AGM since last elected or re-elected. A Director appointed as an additional or casual director by the Board will hold office until the next AGM when the Director may be re-elected. This re-election will be in addition to any rotational retirements.

A CEO, if also a Managing Director, is not subject to retirement by rotation and is not to be taken into account in determining the rotation of retirement of Directors.

**Functions of Senior Executives**

The Chief Executive Officer reports to the Board and is responsible for the operation and administration of the Company including the implementation of the Company's strategies, plans, policies and control programmes. He is supported by a management team whose responsibilities are delineated by formal authority delegations. The team meets regularly to co-ordinate activities and to review and monitor performance.

**Recommendation 1.2: Board Nominations****Appointment of Directors**

The Company has not established a nomination committee for recommending the appointment of Directors.

Given the nature and size of the Company, the Board considers that as a 4-member Board of a small public company the selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board to consider the nominations process. The structure of the Board is reviewed annually as to qualifications, skills, experience and diversity to ensure the Board has an appropriate mix. In a 4-member Board the highest requirement is for appropriate skill. Where a vacancy exists or there is a need for particular skills, the Board will determine the selection criteria and identify and appoint a suitable candidate.

Since 22 December 2016, following a resignation, the Company's Board has consisted of only 3 Directors while the Board attempted to identify a suitable replacement Director.

The Company will undertake appropriate checks before appointing a person, or putting forward a candidate for election as a Director, and provide shareholders with this information. Candidates will be assessed through interviews, meetings and background reference checks as appropriate. External advisors may be used in this process. The Company will provide shareholders with all material information in its possession relevant to the decision on whether or not to elect (or re-elect) a Director, either in the notice of the meeting at which the election of the Director is to be held, or by including in the notice a clear reference to the location on the Company's website, Annual Report or other document lodged with ASX where the information can be found. Directors appointed by the Board must

stand for re-election at the next meeting of shareholders.

Further information regarding Director nominations can be found in the Company's Election of Directors Policy as posted on the Company's website.

**Recommendation 1.3: Terms of Appointment – Directors and Senior Executives**

Each new Non-Executive Director will receive a letter formalising their appointment and outlining the material terms of their appointment. Non-Executive Directors of the Company have not been appointed for fixed terms. Senior Executives will generally have written employment agreements with the Company setting out their duties, obligations and remuneration.

The remuneration paid/payable to the Company's 'key management personnel' is outlined within the Remuneration Report in the Company's latest Annual Report.

**Recommendation 1.4: The Company Secretary**

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the systems and processes that are appropriate for the Board to fulfil its role. The Company Secretary is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The Company Secretary is also responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX.

**Recommendation 1.5: Diversity Policy**

The Company has taken measures to establish a corporate culture in which the principles of diversity are embedded. By promoting and supporting transparent recruiting processes, flexible work practices, an enlightened code of conduct, equal employment opportunity policies and clear reporting of outcomes, the Board feels that the objectives of diversity will be achieved. The results of recruiting and the composition of staff are reported by the Chief Executive Officer and reviewed at monthly Board meetings.

The Board, at this time, has not established an explicit policy on diversity or measurable objectives for achieving gender diversity. Because of the size of the Company (38 staff

including Board members, as at the date of this report), the Board is of the view that the scale and nature of the Company's operations does not currently lend itself to an effective and meaningful application of a targeted diversity policy.

Rather, the Board recognises the positive benefits for the organisation of increased diversity, especially gender, and has sought to integrate diversity objectives within the existing policies and procedures of the Company. The Board intends to reconsider the adoption of a formal diversity policy periodically.

At the date of this report the Company has a total staff excluding Board members of 34 employees of which 24% (8 employees) are women. The Senior Executive team is made up of 4 managers including one female. At this time there are no women on the Board which comprises 4 positions.

#### **Recommendation 1.6 and 1.7 – Performance Review and Evaluation**

##### **Evaluation of Directors Performance**

The Board has adopted a self-evaluation process to measure its own performance and the performance of its Committees.

On an annual basis, the Chairman facilitates a discussion and evaluation of the Board's performance in accordance with this process. This includes discussions about the Board's role, processes, performance and other relevant issues. Each Director's performance is reviewed by the Chairman and Board prior to the Director standing for re-election. Performance evaluations will take place during September at the same time as those for all staff members. A performance evaluation was undertaken during the reporting period.

If the contribution of a Non-Executive Director appears to a majority of Directors to be less than adequate, they may direct the Chairman to inform that Director accordingly and ask that person to consider his or her position on the Board. If the Director takes no action in response, a circulated minute signed by a majority of Directors will authorise the Company Secretary to inform the shareholders that the Board will not support the re-election of the Director at the general meeting where they are next due to offer for re-election.

#### **Evaluating the Performance of Senior Executives**

Arrangements put in place by the Board to monitor the performance of the Group's key executives include:

- regular monthly reporting submitted to the Board and attendance at all Board Meetings by the Chief Executive Officer and Chief Financial Officer;
- a review by the Board of the Group's financial performance and revised forecast results on a monthly and annual basis at Board meetings at which reports are presented by the key executives; and
- an evaluation of the detailed presentations made by the Chief Executive Officer and his direct reports during business planning / strategy meetings which are at least bi-annual.

#### **2. Structure Board to Add Value**

##### **Recommendation 2.1: Nomination Committee**

Due to the small size of the Board and the Company's current level of operations, the Company does not have a separate nomination committee. Nominations for positions on the Board are considered by the entire Board.

##### **Recommendation 2.2: Skills, Knowledge and Experience**

Directors are appointed based on the specific business, industry and governance skills and experience as required by the Company. The Board recognises the need for Directors to have a relevant and applicable range of skills and personal experience in a range of disciplines as required for the proper management and oversight of the Company's operations, as having regard to the scale and nature of its activities.

The Board skills matrix set out below describes the skills, experience and expertise that the Board would look to maintain and build on:

- capital markets
- corporate finance
- regulatory and compliance
- operations
- sales
- marketing
- corporate governance
- financial and business acumen

#### **Recommendations 2.3 and 2.4: Independent Directors**

##### **Directors Independence**

At the date on which the Directors' report is made out, the Company's Board has four directors. The Board currently consists of three Non-Executive Directors. At this time only one (Mr Simon Wallace) of the three Non-Executive Directors is considered by the Board to be independent, and as such the Company does not comply with Recommendation 2.4 of the Corporate Governance Council, which recommends that a majority of Board members should be independent.

However, the Board considers that both its structure and composition are appropriate given the size of the Group and that the interests of shareholders are well met.

In the interest of clear disclosure:

- Mr Carl Hung, a Non-Executive Director, is also the President and CEO of Season Group. The Company has subcontracted manufacturing on an arms-length basis to Season Group and Mr Hung, through SGV1 Holdings Limited, holds an interest at the date of this report in 17.48% of the Company's issued shares and is thereby a substantial holder.
- Mr David Stewart, a Non-Executive Director, is not regarded as being independent, as a company associated with and controlled by Mr Stewart, Glenayr Pty Ltd, holds 9,700,000 ordinary shares in the Company. In addition, Mr Stewart personally holds another 840,000 ordinary shares in the Company. In total, Mr Stewart holds a relevant interest in 10,540,000 shares in the Company, representing 19.93% of the issued capital of the Company and Mr Stewart is thereby a substantial holder.

The names, qualifications and experience of each Director of the Company are detailed in the Directors Report in the Annual Report.

##### **Recommendation 2.5: Independent Chairman**

The Chairman, Mr Simon Wallace, is the only independent Non-Executive Director of the Company at this time. Mr Wallace was appointed as Chairman of the Company on 22 December 2016, based on his extensive experience in legal and commercial matters, project finance and fundraising background and his experience as a Director including of an ASX listed entity.

The Chief Executive Officer of the Company is Mr Michael Capocchi.

#### **Recommendation 2.6: Induction of New Directors**

The Company has a program for inducting new Directors. This includes giving new Directors a full briefing about the nature of the business, current issues, the corporate strategy and the expectations of the Board concerning the performance of the Directors and access to all employees to gain full background to the Company's operations. Directors are encouraged to attend director training and professional development courses, as may be required to enable them to develop and maintain the skills and knowledge needed to effectively perform their roles as Directors, at the Company's expense (as approved by the Chairman and or the Board, as appropriate and applicable).

### **3. Act Ethically and Responsibly**

#### **Recommendation 3.1: Act Ethically and Responsibly**

##### **Code of Conduct**

As part of the Board's commitment to the highest standard of personal and corporate behaviour, the Company adopts a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The code of conduct covers such matters as:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relations with customers and suppliers;
- ethical responsibilities including responsibility for reporting and investigating unethical practices;
- employment practices including a fair and open approach to all forms of diversity; and
- responsibilities to the environment and the community.

The Code of Conduct is available at the Company's website.

The Company's objective is to maintain and further develop its business to increase shareholder value while also adding value for customers, employees and other stakeholders. To ensure this occurs, the Group conducts its business within the Code of Ethics, documented and outlined in the Company's Code of Conduct, and the Group's core values which are, to:

- act with integrity and fairness;
- create a safe, challenging and fun workplace;
- encourage a corporate culture which embraces diversity;
- recognise the needs of the community;
- protect the environment;
- be commercially competitive;
- foster a performance driven culture; and
- encourage innovation and technical leadership.

#### **4. Safeguard Integrity in Corporate Reporting** **Recommendation 4.1: Audit Committee**

The Board has established an Audit Committee to consider certain issues and functions in further detail. The chairman of the Audit Committee reports to the Board on any matters of substance at the next full board meeting. The Audit Committee has its own terms of reference, approved by the Board and reviewed annually, with additional review when appropriate.

The members of the Committee at the date of this report are Mr Carl Hung and Mr Simon Wallace. Carl Hung is the current Chairman of the Audit Committee. Details of the qualifications, experience and attendance at Committee meetings by each Committee Member is included in the Directors Report in the Annual Report.

The ASX Corporate Governance Council has made recommendations for the composition of the Audit Committee:

- the Committee should consist only of Non-Executive Directors;
- it should have a majority of Independent Directors;
- it should be chaired by an independent Director who is not Chairman of the Board;
- the Committee should have at least 3 members.

While recognising these recommendations, the Board is restricted by having currently only four Board positions. The Board's small size is a function of the relatively small scale of the Company's operations. The Company may assess the composition of the Board from time to time, with a view to considering compliance with the recommendation that the Audit Committee have a majority of Independent Directors.

The one independent Director on the Board is a member of the Audit Committee. Mr Carl Hung although not an independent

Director was appointed Chairman of the Audit Committee due to his accounting qualifications and commercial experience.

The Audit Committee assists the Board to discharge its corporate governance responsibilities, in regard to the business' relationship with, and the independence of, the external auditors. It especially:

- recommends appointment of external auditors and fees;
- ensures reliability and integrity of disclosure in the financial statements and external related financial communications, although ultimate responsibility rests with the full Board;
- reviews compliance with statutory responsibilities;
- reviews budgets and accounting policy;
- ensures maintenance of an effective framework of business risk management including compliance and internal controls and monitoring of the internal audit function;
- reviews adequacy of the Company's insurance program, including directors' and officers' professional indemnity and other liability insurance cover;
- promotes and ensures an ethical financial culture is embedded throughout the Company;
- undertakes any special investigations required by the Board.

The Audit Committee provides a forum for the effective communication between the Board and external auditors. The Committee reviews:

- the annual and half-year financial report prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control; and
- the efficiency and effectiveness of external audit functions, including reviewing the respective audit plans.

The Committee invites the CEO, the CFO, the Company's remaining Director and the external auditors to attend Committee meetings where appropriate. The Committee also meets with and receives regular reports from the external auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal controls. The Company's Audit Committee met 3 times

during the course of the financial year ended 30 June 2018.

The Company's Audit Committee has a formal charter setting out the Committee's role and responsibilities. The charter is posted on the Company's website.

#### **Recommendation 4.2: Approval of Financial Statements**

The Board receives regular reports about the financial condition and operational results of the Company and its controlled entities. The CEO and CFO periodically provide formal statements to the Board that, in all material aspects, the Company's financial statements present a true and fair view of the Company's financial condition and operational results.

The CEO and the CFO each provide declarations to the Board in accordance with Section 295A of the Corporations Act 2001 confirming that in their opinion, with regard to risk management and internal compliance and control systems:

- i. the statements made with respect to the integrity of financial statements and notes thereto are founded on a sound system of risk management and internal control systems which, in all material respects, implement the policies adopted by the Board of Directors;
- ii. the risk management and internal control systems are operating effectively and efficiently in all material respects in relation to financial reporting risks.

#### **Auditor independence**

Best practice in financial and audit governance is rapidly evolving and the independence of the external auditor is particularly important to shareholders and the Board. To ensure that the Company's practices are up to date, the Board has adopted a Charter of Audit Independence that is reviewed regularly to keep it in line with emerging practices domestically and internationally.

The key points covered by the Charter include:

- Rotation of the senior audit partner every five years;
- Annual confirmation by the auditor that it has satisfied all professional regulations relating to auditor independence;
- Half yearly reporting on the levels of audit and non-audit fees; and

- Specific exclusion of the audit firm from work which may give risk to a conflict.

#### **Recommendation 4.3: Auditor attendance at AGM**

The Company's external Auditor attends the Company's AGMs and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

#### **5. Make Timely and Balanced Disclosure**

##### **Recommendation 5.1: Continuous Disclosure Policy**

The Board and senior management are aware of the continuous disclosure requirements of the ASX and have written policies and procedures in place, including a Continuous Disclosure Policy.

The guiding principle of this policy is that the Company must immediately notify the market via an announcement to the ASX of any information concerning the Company that a reasonable person would expect to have a 'material' effect on the price or value of the Company's securities.

The Board must ensure that Company announcements:

- are made in a timely manner;
- are factual;
- do not omit material information;
- are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Where that information, however, is incomplete or confidential, or its disclosure is illegal, no disclosure is required. The Directors and senior management of the Company ensure that the Company Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, shareholders, the media and the public. Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market is the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received may the information be presented.

If the Company becomes aware of market-sensitive information which ought to be disclosed, but the Company is not in a position to issue an announcement promptly

and without delay, the Company may request that the ASX grant a trading halt or suspend the Company's securities from quotation. Management of the Company may consult external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

The Company's Policy Continuous Disclosure Policy is available on the Company's website.

#### **6. Respect the Rights of Security Holders**

##### **Recommendation 6.1: Communication to Shareholders and Investors**

The Company is committed to increasing the transparency and quality of its communication and to be regarded by our shareholders as an outstanding corporate citizen. Our approach to communication with shareholders and financial markets is set out in the Company's Shareholder Communication Strategy document.

Information is communicated to shareholders through the distribution of the Company's Annual Report and other communications. All significant information is posted on the Company's website as soon as it is disclosed to the ASX. All investors will have equal and timely access to information on the Company's financial position, performance, ownership and governance. Shareholders who wish to send and receive communications with the Company electronically should contact the Company Secretary, Mr Dennis Payne.

The Company ensures that shareholders are informed of all major developments affecting the Group promptly through the issue of ASX announcements and commentary on operations in quarterly reports. All ASX announcements and quarterly reports are posted on the ASX website for the Company and on the Company's website.

All shareholders receive copies of shareholders notices by email or post and a copy of the annual report is distributed to all shareholders who elect to receive one (hardcopy in the mail or electronically). The Company's most recent annual report is also available on the Company's website.

##### **Website Information**

The Company has established a website at [www.worldreach.com.au](http://www.worldreach.com.au), where shareholders can access information about the Company's corporate governance policies and practices. Information lodged on this website in a specific corporate governance section includes:

- Board Charter
- Audit Committee Charter
- Risk Management Policy
- Remuneration Policy
- Securities Trading Policy
- CEO and CFO Declarations
- Whistle Blower Policy
- Code of Conduct
- Election of Directors Policy
- Disclosure Policy
- Shareholder Communication Policy
- Health and Safety Policy
- Environmental and Community Relations Policy
- Corporate Ethics Policy
- Related Parties and Conflicts Policy

#### **Recommendation 6.2 Investor Relations Program**

Two-way communication between the Company and its shareholders is facilitated primarily via the Company's AGM. The Board encourages shareholder participation at the AGM and other general meetings of the shareholders. The Chairman encourages questions and comments from shareholders and seeks to ensure that shareholders are given ample opportunity to participate. Shareholders who are unable to attend the AGM or a general meeting may submit questions and comments before the meeting to the Company and/or to the Auditor (in the case of the AGM).

#### **Recommendation 6.3: Shareholders Participation at General Meetings**

All shareholders are encouraged to attend and participate in shareholder meetings. All Directors, senior managers, Auditors and the Company Secretary attend these meetings and respond to shareholder questions in relation to specific agenda items and general business. The Annual General Meeting features an address by the Chairman and an extensive presentation by the CEO which is also released as an ASX announcement for shareholders who cannot attend the meeting.

A description of the arrangements the Company has to promote communications with shareholders is detailed in the Shareholder Communication Policy, available at the Company's website.

#### **Recommendation 6.4: Electronic Communication**

Shareholders may elect to send communication to and receive communications from the Company and its Share Registry electronically. The contact

email address for the Company is info@worldreach.com.au and shareholders may submit electronic queries to the Company's Share Registry via its website www.linkmarketservices.com.au.

### **7. Recognise and Manage Risk**

#### **Recommendation 7.1: Risk Committee**

Due to the size of the Company and the nature of the Company's operations, a formal Risk Committee has not been established. The Board is responsible for ensuring appropriate measures are in place in order to manage risk in line with the Company's risk strategy. An external consultant has assisted the Board in this process.

The Board has required management to implement internal control systems to manage the Company's material business risks and to report on whether risks are being effectively managed.

Arrangements put in place by the Board to monitor risk include:

- review of risk areas at monthly Board meetings;
- regular monthly reporting to the Board in respect of operations, the financial position of the Company and new contracts;
- reports by the Chairman of the Audit Committee;
- attendance and reports by the Managing Director, CFO and the Company's management team at Board Meetings;
- any Director may request that operational and project audits be undertaken either internally or be external consultants.

#### **Recommendation 7.2: Risk Management Framework**

The Company has implemented a risk management program that enables the business to identify and assess risks, respond appropriately and monitor risks and controls.

The Company is exposed to risk from operations (employee health and safety, environmental, insurance, litigation, disaster, business continuity), compliance issues and financial risks (interest rate, foreign currency, credit and liquidity). To mitigate these risks, the Company has established risk and assurance policies and procedures, which aim to:

- assist management to discharge its

corporate and legal responsibilities; and

- assure management and the Board that the framework is effective.

Responsibility for control and risk management is delegated to the appropriate levels of management within the Company and the CEO has ultimate responsibility to the Board for risk management and control. Areas of significant business risk to the Company are detailed in the Business Plan presented to the Board by the CEO at the start of each financial year. The Board reviews and approves the parameters under which significant business risks will be managed before adopting the Business Plan. Risk parameters and compliance information are reported monthly to the Board by the CEO and CFO.

The Board has adopted reporting procedures which allow it to:

- monitor the Company's compliance with the continuous disclosure requirements of the ASX; and
- assess the effectiveness of its risk management and control framework.

The Company recognises, in particular, the environmental and social risks to which it may be exposed. The Company considers environmental risk to be the ability to continue its undertakings without compromising the health of the ecosystems in which it operates. The Company views social sustainability as the ability to continue operations in a manner that is acceptable to social norms.

The Board does not consider that the Company currently has any material exposure to environmental or social-sustainability risk, however the Board intends to manage such risks in accordance with the Company's Risk Management Policy, if such risks should be identified in the future.

The Company reviews its risk management framework on at least an annual basis. Such a review took place in the 2018 financial year.

The Company's Risk Management Policy is available on the Company's website.

#### **Recommendation 7.3: Internal Audit Function**

The Audit Committee assists the Board in fulfilling its responsibilities in this regard by reviewing the financial and reporting aspects of the Group's risk management and control framework.



The Audit Committee meets regularly to ensure, amongst other things, that the risk management internal control structures and compliance with laws and regulations are operating effectively. Details of the Audit Committee are also set out in the Risk Management Policy, available at the Company's website.

#### **Recommendation 7.4: Exposure to Risks**

The Company regularly undertakes reviews of risks that may be material to its business. The review examines the processes and procedures that the Company must initiate to control and/or mitigate these risks from impacting upon the performance of the Company. The key risk categories to which the Company is exposed, and how it manages or intends to manage those risks, are set out in the Risk Management Policy on the Company's website.

### **8. Remunerate Fairly and Responsibly**

#### **Recommendation 8.1: Remuneration Committee**

The Board considers that, due to its small size, and the current level of the Company's operations, all members of the Board should be involved in determining remuneration levels. Accordingly it has not established a separate remuneration committee. Instead time is set aside at two Board meetings each year specifically to address the matters usually considered by a remuneration committee. Executive Directors absent themselves during discussion of their remuneration.

At these two meetings the Board reviews the following:

- the Company's remuneration, recruitment, retention and termination policies and procedures for senior executives
- senior executives remuneration and incentives
- superannuation arrangements
- remuneration framework for Directors; and
- remuneration by gender.

#### **Recommendation 8.2: Remuneration of Executive and Non-Executive Directors**

The remuneration structure of Non-Executive Directors and executives is disclosed in the Remuneration Report within the Directors' Report in the Annual Report. The remuneration of Non-Executive Directors

is determined by the Board having regard to the level of fees paid to Non-Executive Directors by other companies of similar size and stature.

The aggregate amount payable to the Company's Non-Executive Directors must not exceed the maximum annual amount approved by the Company's shareholders, currently \$500,000 as determined at the General Meeting held on 3 August 2007. The Company is committed to remunerating its Executive Directors and senior executives in a manner that motivates them to pursue the long-term growth and success of the Company and is consistent with best practice. The Company aims to align the interests of Executive Directors and senior executives with those of shareholders through short-term and long-term incentive plans which demonstrate a clear relationship between performance and remuneration. Consequently, Executive Directors and senior executives' remuneration consists of the following elements:

- fixed salary;
- short-term incentive bonus based on performance;
- long-term incentive share/option scheme; and
- other benefits including superannuation.

#### ***Fixed Salary***

The salary of Executive Directors and senior executives is determined from a review of the market and reflects core performance requirements and expectations. In addition, the Company considers the following:

- the scope of the individual's role;
- the individual's level of skill and experience;
- the Company's legal and industrial obligations;
- labour market conditions; and
- the size and complexity of the Company's business.

#### ***Performance Bonus***

The purpose of the performance bonus is to reward actual achievement by the individual of performance objectives and for materially improved Company performance. Consequently, performance-based remuneration is paid where a clear contribution to successful outcomes for the Company is demonstrated and the individual attains and excels against pre-agreed key performance indicators during a

performance cycle.

#### ***Other Benefits***

Senior executives are entitled to statutory superannuation and may also receive other bonus payments subject to the discretion of the Board.

#### ***Long-Term Incentives***

The Company has a share options scheme which is discussed further below which is designed to provide long-term incentives to senior executives.

#### ***Termination Payments***

Senior executives may be entitled to a payment upon termination of employment from the Company. Where so entitled, the termination payment has been agreed in the senior executive's contract of employment and it is not payable where termination of employment is for misconduct.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report within the Director's Report in the Annual Report. The Company's Remuneration Policy is available on the Company's website.

#### **Recommendation 8.3: Equity Based Remuneration**

#### ***Long-Term Incentives***

The Company has a share option scheme in which senior executives may be invited to participate. The Share Option Incentive Plan was approved by shareholders on 27 October 2017 and authorises the Directors to issue options up to 10% of the shares issued by the Company. The number of shares and options issued under the scheme is reasonable in relation to the existing capitalisation of the Company and all payments under the scheme are made in accordance with thresholds set in plans approved by shareholders. Any issue of options to Executive and Non-Executive Directors must be approved by Shareholders.

The Company has a Share Trading Policy which aims to:

- protect stakeholders' interests at all times;
- ensure that directors and employees do not use any information they possess for their personal advantage or the Company's detriment; and
- ensure that Directors and employees comply with insider trading legislation of the various jurisdictions in which transactions may take place.

Purchase or sale of the Company's shares and/or options over such shares by Directors, executives and staff of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. This policy requires that the relevant person notify the Company Secretary of their intention to trade in the Company's shares and/or options over such shares prior to the transaction and that the Company Secretary be required to discuss the proposed trading intentions with the Chairman. The Board recognises that it is the individual responsibility of each Director to comply with this policy. Breaches of this policy may lead to disciplinary action being taken, including dismissal in serious cases. The Company's Employee Share Trading Policy is available on the Company's website.

The Corporations Act prohibits the key management personnel of an ASX listed company established in Australia, or a closely related party of such personnel, from entering into an arrangement that would have the effect of limiting their exposure to risk relating to an element of their remuneration that either has not vested or has vested but remains subject to a holding lock.

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Year ended	
		30 June 2018 \$	30 June 2017 \$
Revenue	2(a)	11,638,170	9,880,153
Changes in inventories		1,533,096	(908,716)
Raw materials, consumables and other costs of sale	2(b)	(8,491,173)	(5,021,607)
Employee benefits expense		(2,804,827)	(2,196,194)
Depreciation expense	7(a)	(76,599)	(78,381)
Amortisation expense	9(a)	(694,447)	(423,782)
Impairment expense	9(a)	(793,922)	-
Finance costs expense	2(c)	(54,300)	(49,447)
Auditor remuneration expense	19	(55,000)	(58,000)
Accounting, share registry and secretarial expense		(74,055)	(72,844)
Consultancy and contractor expense		(227,279)	(260,632)
Legal, insurance and patent expense		(172,609)	(169,686)
Marketing and ICT expense		(265,315)	(262,727)
Other expenses	2(d)	(893,670)	(800,907)
<b>Loss before income tax</b>		<b>(1,431,929)</b>	<b>(422,769)</b>
Tax expense	3(a)	(133,205)	(135,551)
<b>Loss for the year</b>		<b>(1,565,134)</b>	<b>(558,320)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(1,565,134)</b>	<b>(558,320)</b>
Net loss and total comprehensive loss are both fully attributable to owners of the Company			
Loss per share (cents)	21	(3.07)	(1.29)
Diluted loss per share (cents)	21	(3.07)	(1.29)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
 ABN 39 010 568 804

 CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2018

	Note	30 June 2018 \$	30 June 2017 \$
<b>Current assets</b>			
Cash and cash equivalents	4	528,925	595,734
Inventories	5	4,158,153	2,625,058
Trade and other receivables	6	1,747,412	1,617,641
<b>Total current assets</b>		<b>6,434,490</b>	<b>4,838,433</b>
<b>Non-current assets</b>			
Plant and equipment	7	122,998	169,432
Deferred tax assets	8	1,228,857	1,349,789
Intangible assets	9	4,835,509	4,338,410
<b>Total non-current assets</b>		<b>6,187,364</b>	<b>5,857,631</b>
<b>Total assets</b>		<b>12,621,854</b>	<b>10,696,064</b>
<b>Current liabilities</b>			
Trade and other payables	10	4,447,866	2,895,417
Provisions	12	704,706	638,671
<b>Total current liabilities</b>		<b>5,152,572</b>	<b>3,534,088</b>
<b>Non-current liabilities</b>			
Provisions	12	19,919	9,195
<b>Total non-current liabilities</b>		<b>19,919</b>	<b>9,195</b>
<b>Total liabilities</b>		<b>5,172,491</b>	<b>3,543,283</b>
<b>Net assets</b>		<b>7,449,363</b>	<b>7,152,781</b>
<b>Equity</b>			
Issued capital	13	7,646,641	5,784,925
Reserves		411,189	493,089
Retained earnings / (accumulated losses)		(608,467)	874,767
<b>Total equity</b>		<b>7,449,363</b>	<b>7,152,781</b>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Issued capital \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	5,784,925	668,780	1,257,396	7,711,101
Total loss and comprehensive income for the year	-	-	(558,320)	(558,320)
Transactions with owners in their capacity as owners:				
- Adjustment for employee share options lapsed	-	(175,691)	175,691	-
<b>Balance at 30 June 2017</b>	<b>5,784,925</b>	<b>493,089</b>	<b>874,767</b>	<b>7,152,781</b>
Balance at 1 July 2017	5,784,925	493,089	874,767	7,152,781
Total loss and other comprehensive income for the year	-	-	(1,565,134)	(1,565,134)
Transactions with owners in their capacity as owners:				
- Shares issued, net of transaction costs	1,861,716	-	-	1,861,716
- Adjustment for employee share options lapsed	-	(81,900)	81,900	-
<b>Balance at 30 June 2018</b>	<b>7,646,641</b>	<b>411,189</b>	<b>(608,467)</b>	<b>7,449,363</b>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Year ended	
		30 June 2018 \$	30 June 2017 \$
<b>Cash flow from operating activities</b>			
Receipts from customers		12,116,540	10,338,855
Payments to suppliers and employees		(13,685,446)	(9,442,298)
Interest received		13,608	(2,307)
Interest and finance charges paid		(54,300)	(49,447)
Income tax paid		(12,273)	(1,398)
<b>Net cash (used in)/ provided by operating activities</b>	16(a)	(1,621,871)	843,405
<b>Cash flow from investing activities</b>			
Purchases of plant and equipment	7(a)	(50,418)	(73,918)
Development costs capitalised		(1,985,468)	(2,685,603)
Research and development grant		1,729,233	223,952
<b>Net cash used in investing activities</b>		(306,653)	(2,535,569)
<b>Cash flow from financing activities</b>			
Net cash proceeds on share placement / rights issue		1,861,715	-
<b>Net cash used in financing activities</b>		1,861,715	-
<b>Net decrease in cash and cash equivalents</b>		(66,809)	(1,692,164)
Cash and cash equivalents at beginning of year		595,734	2,287,898
<b>Cash and cash equivalents at end of financial year</b>	16(b)	528,925	595,734

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

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**1. Summary of significant accounting policies****(i) 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 ("AASB") and the Corporations Act 2001 and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

*Reporting Basis and Conventions*

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

*New or amended Accounting Standards and Interpretations adopted*

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by AASB that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**(ii) Accounting policies**

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(a) Principles of consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (World Reach Limited) and all of the subsidiaries which are entities the parent controls. A list of the subsidiaries is provided in Note 24.

**(b) Income tax**

Income tax expense (benefit) for the year comprises current income tax expense and deferred income tax expense (benefit).

A net deferred tax expense has been recognised in the current year reflecting the movements in deferred tax assets and liabilities for the period.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of profit or loss and other comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. At each reporting date, the consolidated group re-assesses unrecognised deferred tax assets as to the extent that it has become probable that future tax profit will enable recognition.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

## 1. Summary of significant accounting policies (continued)

### (ii) Accounting policies (continued)

#### (b) Income tax (continued)

World Reach Limited and its wholly owned Australian subsidiaries have formed a tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own tax expense and deferred tax. The current tax liability of each group entity and deferred tax assets arising from tax losses are immediately assumed by the parent entity.

#### (c) Plant & equipment

Plant and equipment is carried at cost less any accumulated depreciation and impairment losses, where applicable.

The carrying amount of plant and equipment is reviewed at each reporting date by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Repairs and maintenance to plant and equipment is charged to the statement of profit or loss and other comprehensive income during the financial period in which it is incurred.

The depreciable amount of plant and equipment is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The straight line depreciation rates for plant and equipment were:

Office furniture and equipment	10% - 20%
Computer and test equipment	33%
Rental equipment	20% - 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income.

#### (d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and direct labour.

#### (e) Intangible assets – development costs

Development costs are capitalised only when it is probable that the expected future economic benefits would flow to the company and can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to future production. Expenditure not related to the creation of a new product is recognised as an expense when incurred.

The amortisation rate for capitalised development costs is dependent on an assessment of the minimum useful life of each project. Recent projects/products have been assessed at 4 years giving a 25% amortisation rate during 2018.

#### (f) Employee benefits

##### *Short-term employee benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.



## WORLD REACH LIMITED AND CONTROLLED ENTITIES

ABN 39 010 568 804

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

**1. Summary of significant accounting policies (continued)****(ii) Accounting policies (continued)****(f) Employee benefits (continued)***Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

Option based compensation relates to the value of options issued to date and brought to account pro-rata to the time period from the date of issue to the date of vesting, except in the case of Director's where Accounting Standard AASB 2 requires expensing to begin from the commencement of service related to those options, notwithstanding that the issue of those options is subject to shareholder approval.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(g) Financial instruments**

Financial instruments in the form of trade receivables, trade payables and other financial assets and liabilities are initially measured at transaction cost on trade date when the related contractual rights or obligations arise. Realised and unrealised gains or losses arising from changes in the fair value of these assets or liabilities are included in the statement of profit or loss and other comprehensive income in the period in which they arise. At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of profit or loss and other comprehensive income. Refer Note 14 for a detailed review of the group's financial instruments.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Financial Instruments accounting standards.

**(h) Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is an indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(i) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Where applicable, bank overdrafts are disclosed within other financial liabilities in current liabilities on the statement of financial position.

**(j) Revenue recognition**

Revenue from the sale of goods and services is recognised at the fair value of the consideration received upon delivery of goods or performance of services to customers.

Interest revenue and rental income is recognised when it becomes receivable. Other revenue is recognised when the right to receive the revenue has been established.

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
ABN 39 010 568 804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

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**1. Summary of significant accounting policies (continued)**

**(ii) Accounting policies (continued)**

**(k) Government grants**

Government grants in the form of refundable Research and Development Tax Offsets received in respect of capitalised Development Costs are initially recognised as deferred income upon receipt, and brought to account as income on a systematic basis over the useful life of the related Development Cost assets.

Export market development grants are brought to account in the statement of profit or loss and other comprehensive income in the period received.

There are no unfulfilled conditions or other contingencies attaching to government grants recognised in the financial statements.

**(l) Foreign currency transactions and balances**

*Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates.

*Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

**(m) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(n) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the asset or expense cost. Receivables and Payables are shown in the statement of financial position as inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

**(o) Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Accounting estimates and judgements made in relation to the recognition of deferred tax assets are indicated in Note 3(c).

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**

ABN 39 010 568 804

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEAR ENDED 30 JUNE 2018**

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**1. Summary of significant accounting policies (continued)****(ii) Accounting policies (continued)****(p) New accounting standards for application in future periods**

Accounting Standards and Interpretations issued by AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The directors anticipate that the adoption of AASB 9 may have little, if any, impact on the Group's financial instruments.

- AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model.

The new revenue model in AASB 15 will apply to all contracts with customers which requires the company to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled.

The directors have examined the Group's contracts and believe there are no current contracts with varying unit pricing over successive years that will require certain revenues to be reported materially differently from FY2019 onwards. The directors recognise that possible future contracts or relevant circumstances such as warranties and year-end bonuses may be those that AASB 15 is intended to cover and in that case the adoption of AASB 15 may possibly have significant impact on the Group's financial statements. Until such contracts or circumstances arise it is impracticable to provide a reasonable estimate of the impact.

- AASB 16: Leases (applicable to annual reporting periods beginning 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 lease accounting model that eliminates the requirement for leases to be classified as operating or finance leases and recognises a right to use asset, depreciation and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets), with additional disclosure requirements.

The transitional provisions of AASB 16 permit 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 directors' review of AASB 16 shows that its adoption will have an impact on the Group's financial statements with leases greater than 12 months to be recognised on balance sheet as a lease liability and a related right to use asset. It is anticipated that the Net Present Value of the Group's lease commitments greater than 12 months will be brought to account on the balance sheet as an asset and current and non-current liability from FY2020. The NPV of the commitments shown in Note 15 is \$720,000.

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
 ABN 39 010 568 804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
<b>2 (Loss) / profit before income tax</b>		
(a) Revenue		
<i>Sales revenue</i>		
- Equipment sales	10,671,739	9,017,125
- Airtime	428,878	482,863
- Other	42,325	86,802
	11,142,943	9,586,790
<i>Other income</i>		
- Research and Development grant	481,619	290,906
- Interest	13,608	2,457
	495,227	293,363
	11,638,170	9,880,153
(b) Cost of sales		
Opening inventories	2,625,058	3,533,773
Add: Purchases and other stock adjustments	8,491,173	5,021,607
	11,116,231	8,555,380
Closing inventories (Note 5)	(4,158,153)	(2,625,058)
	6,958,078	5,930,322
(c) Finance costs expense		
Interest expense on financial liabilities	54,300	49,447
(d) Other expenses include:		
- Product development costs expensed	309,148	239,530
- Operating lease payments	227,581	234,285
<b>3 Income tax</b>		
(a) The components of tax expense / (benefit) comprise:		
Current tax		
- Current tax expense (d)	12,273	1,398
- Current movement of temporary difference in net deferred tax assets	57,129	249,442
- Movement in deferred tax asset associated with carry forward tax losses	63,803	(115,289)
Income tax expense transferred to statement of profit or loss and other comprehensive income	133,205	135,551
(b) Reconciliation of income tax expense and tax at statutory rate:		
Loss from ordinary activities	(1,431,929)	(422,769)
Income tax benefit at statutory rate of 27.5% (2017: 27.5%)	(393,781)	(116,261)
Add / (Less):		
Tax effect of:		
- Tax reconciling items	406,053	117,659
- Deferred tax assets expensed	120,932	134,154
Income tax expense attributable to the Consolidated Group	133,205	135,551

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**

ABN 39 010 568 804

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2018**

**3 Income tax (continued)**

(c) The deferred tax expense reflects the movements in the deferred assets and liabilities. The directors have maintained a conservative approach and have recognised 60% (2017: 60%) of the deferred tax assets and liabilities inclusive of carried forward tax losses.

Although the Directors expect sufficient future profitability to enable the full value of all deferred tax assets to be utilized, the decision has been taken not to increase the proportion taken up at this time, with a demonstration of the Group's return to profitability required before the Board would consider doing so.

The amount of unused net deferred tax assets relating to tax losses which have not been brought to account (being the 40% portion) is \$1,230,449 (2017: \$1,272,984); and capital tax losses of \$1,850,085 (2017: \$1,850,085).

The amount of net deferred tax assets which may be realised in the future is dependent on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) Income tax expense comprises current year tax of \$12,273 incurred by the Group's USA subsidiary which is unable to be claimed against Australian tax losses.

(e) There are no franking credits available to equity holders.

**4 Cash and cash equivalents**

Cash at bank and on hand

**5 Inventories**

Raw materials

Work in Progress

Finished Goods

**6 Trade and other receivables**

**(a) Current**

Trade receivables

Less: Provision for impairment of receivables

Other receivables and prepayments

Rental & other security deposits

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
	528,925	595,734
	599,097	872,992
	1,696,743	-
	1,862,313	1,752,066
	4,158,153	2,625,058
	1,124,442	1,231,608
	-	(58,420)
	506,940	328,423
	116,030	116,030
	1,747,412	1,617,641

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**6 Trade and other receivables (continued)**

(b) Ageing reconciliation	Gross amount	Within trade terms	Past due but not impaired (days overdue)			Past due & impaired
			31 - 60	61 - 90	90+	
<b>2018</b>						
<u>Current</u>						
Trade receivables	1,124,442	615,271	63,979	100,449	344,744	-
Other receivables	506,940	506,940	-	-	-	-
Rental & other security deposits	116,030	116,030	-	-	-	-
<b>2017</b>						
<u>Current</u>						
Trade receivables	1,231,608	965,740	91,395	92,256	23,797	58,420
Other receivables	328,423	328,423	-	-	-	-
Rental & other security deposits	116,030	116,030	-	-	-	-

All trade receivables past due terms but not impaired are expected to be received in the normal course of business.

**7 Plant and equipment**

Office furniture and equipment - at cost  
 Less: Accumulated depreciation and impairment

Computer and test equipment - at cost  
 Less: Accumulated depreciation and impairment

Rental equipment - at cost  
 Less: Accumulated depreciation and impairment

Total plant and equipment

Year ended	
30 June 2018	30 June 2017
\$	\$
458,261	449,551
(407,999)	(390,014)
50,262	59,537
357,313	315,979
(293,382)	(245,220)
63,931	70,759
30,537	58,963
(21,731)	(19,827)
8,806	39,136
122,998	169,432

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**7 Plant and equipment (continued)**

**(a) Movements in carrying amounts**

Movements in the carrying amounts of each class of plant and equipment between the beginning and the end of the current financial year

	Office Furniture & Equipment	Computer & Test Equipment	Rental Equipment	Total
Balance at 1 July 2016	65,862	91,251	17,290	174,403
Additions	10,401	25,598	37,919	73,918
Disposals	-	-	(508)	(508)
Depreciation expense	(16,726)	(46,090)	(15,565)	(78,381)
Balance at 30 June 2017	59,537	70,759	39,136	169,432
Additions	8,710	41,334	374	50,418
Disposals	-	-	(20,252)	(20,252)
Depreciation expense	(17,985)	(48,163)	(10,452)	(76,599)
Balance at 30 June 2018	50,262	63,931	8,806	122,998

**8 Tax**

**Non-current**

**Deferred tax assets**

	Opening balance	Charged to Income	Closing balance
Deferred tax assets:			
Provision for doubtful debts	9,639	(9,639)	-
Carrying amount of patents and capital raising costs	694	(368)	326
Accruals	19,944	14,842	34,786
Provisions	125,873	20,057	145,930
Tax losses	1,909,477	(63,803)	1,845,674
	2,065,627	(38,911)	2,026,716
Deferred tax liability:			
Product development costs	(715,838)	(82,021)	(797,859)
Balance as at 30 June 2018	1,349,789	(120,932)	1,228,857

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
 ABN 39 010 568 804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
<b>9 Intangible assets</b>		
Development costs capitalised - at cost	12,131,893	10,146,425
Accumulated amortisation and impairment	(7,296,384)	(5,808,014)
	4,835,509	4,338,410
<b>(a) Movements in carrying amounts</b>		
Balance at the beginning of the year	4,338,410	2,076,589
Additional costs capitalised	1,985,468	2,685,603
Amortisation expense	(694,447)	(423,782)
Impairment expense	(793,922)	-
Balance at the end of the year	4,835,509	4,338,410
<p>The Group has assessed the minimum useful life of products from recent development projects at 4 years giving a 25% amortisation rate on completed projects during FY2018.</p> <p>In line with the accounting policy detailed in Note 1 (ii) (g) the Inmarsat BRM (BGAN Radio Module) development project carrying value was assessed and reduced to zero at a gross cost of \$793,922. At the same time \$130,082 of R&amp;D grants received in relation to the project were brought into income (refer Note 2 (a))</p>		
<b>10 Trade and other payables</b>		
<b>Current</b>		
Trade payables and accruals	1,533,060	1,532,598
Deferred income	2,914,806	1,362,819
	4,447,866	2,895,417

Included in Deferred Income at 30 June 2018 is \$1,580,925 of deferred R&D grant income (2017: \$333,311). The Group brings to account the R&D grant income over the same period as the amortisation of the related completed project cost. This resulted in \$481,619 of R&D grant income being recognised in the statement of profit & loss for the year as shown in Note 2 (a).

**11 Other financial liabilities**

**Bank facilities**

All bank facilities are secured by first ranking Registered Mortgage Debenture over the Consolidated Group's assets including uncalled capital and called but unpaid capital. At 30 June 2018, the company had the following unused bank facilities:

- an Australian dollar overdraft with a limit of \$300,000. The overdraft was not utilised at 30 June 2018.
- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 30 June 2018.

**Other facilities**

The group has a secured loan finance facility with SGV1 Holdings Limited for US\$2,000,000. As at 30 June 2018 none of this facility had been drawn down. The security is a general security interest over the group's assets and undertakings, ranking second behind the bank facilities. The secured loan facility is for a 36 month term expiring on 1 January 2020 and will be utilized mainly for the purposes of funding product development projects.



WORLD REACH LIMITED AND CONTROLLED ENTITIES

ABN 39 010 568 804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018

	Year ended	
	30 June 2018 \$	30 June 2017 \$
<b>12 Provisions</b>		
<b>Current</b>		
Employee benefits	499,378	524,743
Warranty costs	134,980	113,928
	634,358	638,671
<b>Non current</b>		
Employee benefits	19,919	9,195

(a) Movements in provisions for the year ended 30 June 2018

	Employee benefits	Warranty costs	Total
Balance at the beginning of the year	533,938	113,928	647,866
Additional provisions	434,107	58,560	492,667
Amounts used	(378,400)	(37,508)	(415,908)
Balance at the end of the year	589,645	134,980	724,625

	Year ended	
	30 June 2018 \$	30 June 2017 \$
<b>13 Issued capital</b>		
<b>Issued and paid up capital:</b>		
Ordinary fully paid shares	7,646,641	5,784,925
The Company has 52,873,452 ordinary shares on issue at 30 June 2018 (2017: 43,173,452).		
	<b>Number of shares</b>	<b>\$</b>
Balance at 30 June 2017	43,173,452	5,784,925
Shares Issued (net of costs) (a)	9,700,000	1,861,716
Balance at 30 June 2018	52,873,452	7,646,641

(a) Share issue

On 12 September 2017, World Reach Limited completed the issue of shares to Glenayr Pty Ltd, a company owned by Mr David Stewart, now a Director of World Reach Limited, which subscribed for a placement of 9,700,000 ordinary shares at an issue price of \$0.20 per share to raise \$1,940,000 for working capital purposes.

(b) Options over issued capital

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2018 is 2,486,550 (2017: 3,086,550), of which 1,579,050 (2017: 1,579,050) were issued to employees under the Company's Share Option Incentive Plan and 907,500 (2017: 1,507,500) were issued to Directors following shareholder approval. Refer Note 18: Share Based Payments, for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**13 Issued capital (continued)**

**(c) Capital management**

When managing capital, management's objective is to ensure the Consolidated Group continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders.

No dividends have been paid or declared in respect of ordinary shares for the 2018 or prior years.

The Consolidated Group effectively manages its capital by assessing the financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders, share issues, or convertible note issues.

**14 Financial instruments**

The Consolidated Group undertakes transactions in a range of financial instruments including:

- cash assets;
- receivables;
- payables;
- deposits;

Activities undertaken by entities within the Consolidated Group result in exposure to a number of financial risks, including market risk (interest rate risk, foreign currency risk), credit risk and liquidity risk.

Due to the size of operation conducted by the Consolidated Group, risk management is monitored directly by the Board of Directors of the parent company with the aim of mitigation of the above risks and reduction of the volatility on the financial performance of the Group.

The risks associated with material financial instruments and the Consolidated Group's policies for minimising these risks are detailed below.

**(a) Interest rate risk management**

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest rate risk for the Consolidated Group primarily arises from:

- Bank Funding - Facilities are provided by the Consolidated Group's bankers and if drawn upon are at variable interest rates based upon Business Overdraft Prime Indicator rates plus a risk margin. The group diligently manages the facilities and its accompanying rate risk in its daily operations by keeping the net debt portfolio at a minimum level or in an infunds position.

These risk exposures related to the financial instruments are not considered material and therefore no sensitivity analysis has been provided.

Financial Instrument Composition and Maturity:

The Consolidated Group's exposure to interest rate risk, and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	<b>Floating Interest</b>	<b>Fixed Interest</b>	<b>Weighted Average Interest Rate</b>	<b>Non-Interest bearing</b>	<b>TOTAL</b>
<b>2018</b>					
<b>Financial asset</b>					
Cash assets	528,925	-	0.02%	-	528,925
Receivables	-	-	0.00%	1,747,412	1,747,412
<b>TOTAL</b>	<b>528,925</b>	<b>-</b>		<b>1,747,412</b>	<b>2,276,337</b>
<b>Financial liability</b>					
Payables (excluding deferred income)	-	-	0.00%	1,533,060	1,533,060
<b>TOTAL</b>	<b>-</b>	<b>-</b>		<b>1,533,060</b>	<b>1,533,060</b>
<b>2017</b>					
<b>Financial asset</b>					
Cash assets	595,734	-	0.03%	-	595,734
Receivables	-	-	0.00%	1,617,641	1,617,641
<b>TOTAL</b>	<b>595,734</b>	<b>-</b>		<b>1,617,641</b>	<b>2,213,375</b>
<b>Financial liability</b>					
Payables (excluding deferred income)	-	-	0.00%	1,532,598	1,532,598
<b>TOTAL</b>	<b>-</b>	<b>-</b>		<b>1,532,598</b>	<b>1,532,598</b>

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**14 Financial instruments (continued)**

**b) Foreign currency risk management**

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Consolidated Group conducts the majority of its receivable and payable transactions in foreign currency, primarily in US Dollars. The Group's foreign currency exchange risk arises from the holding of foreign currency deposits and transactions in normal trading operations resulting in trade receivables and payables being held at balance date.

Foreign currency risk sensitivity:

If foreign exchange rates were to increase/decrease by 10% from rates used to determine values as at reporting date then the impacts on profit and equity due to unrealised foreign currency exchange gains or losses on foreign currency deposits and trade receivables and payables are as follows:

	Foreign currency movement	Year ended	
		30 June 2018 \$	30 June 2017 \$
Impact on profit after tax	+/- 10%	+/- 30,012	+/- 32,200
Impact on equity	+/- 10%	+/- 30,012	+/- 32,200

The above sensitivity reflects the low net holding of foreign currency financial instruments at balance date. Whilst foreign currency payables and receivables are largely offsetting during the year, the Group monitors and manages the associated currency risks in order to reduce the impact of market risk volatility, therefore no further sensitivity analysis has been provided.

**(c) Credit risk management**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause a financial loss to the Consolidated Group.

The credit risk on financial assets of the Consolidated Group that have been recognised in the statement of financial position is the carrying amount, net of any provision for doubtful debts. The Consolidated Group minimises credit risk by performing credit assessments on all new customers, continuing major customers, and where necessary, obtaining advance payments.

Ongoing credit evaluation is performed on the financial condition of customers and, where appropriate, an allowance for doubtful debts is raised.

The Consolidated Group does not have any credit risk arising from money market instruments foreign currency contracts, cross currency and interest rate swaps.

**(d) Liquidity risk management**

Liquidity risk includes the risk that, as a result of the Consolidated Group's operational liquidity requirements, the group:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth;
- may be unable to settle or recover a financial asset at all.

To help reduce these risks the Consolidated Group:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained; and
- monitors forecast cash flows and endeavours to ensure that adequate borrowing facilities are maintained and/or maturity dates are managed appropriately.

The Consolidated Group's exposure to liquidity risk on classes of financial assets and financial liabilities, is as follows:

	< 1 Year	1 - 5 Years	Total contractual cash flows	Carrying amount
<b>2018</b>				
<u>Asset class</u>				
Cash and cash equivalents	528,925	-	528,925	528,925
Receivables	1,631,382	116,030	1,747,412	1,747,412
Payables (excluding deferred income)	(1,533,060)	-	(1,533,060)	(1,533,060)
Net maturities	627,247	116,030	743,277	743,277
<b>2017</b>				
<u>Asset class</u>				
Cash and cash equivalents	595,734	-	595,734	595,734
Receivables	1,501,611	116,030	1,617,641	1,617,641
Payables (excluding deferred income)	(1,532,598)	-	(1,532,598)	(1,532,598)
Net maturities	564,747	116,030	680,777	680,777

**(e) Net fair values of financial assets and liabilities**

Net fair values at balance date of each class of financial asset and liability do not materially differ from the carrying amounts disclosed in the statement of financial position.

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
 ABN 39 010 568 804

 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2018

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
<b>15 Commitments and contingencies</b>		
<b>Operating lease commitments</b>		
Future minimum rentals payable under non-cancellable operating leases contracted for but not capitalised in the financial statements are as follows:		
Not later than one year	194,409	183,423
Later than one year but not later than five years	852,463	795,751
Later than five years	111,045	328,860
	<b>1,157,917</b>	<b>1,308,034</b>
The Consolidated Group and parent entity negotiated a 2 year extension to the non-cancellable commercial rental property lease at Mulgrave in March 2017. The new lease expires in December 2023. There is an option to renew the lease for a further 6 year period but no commitment has been entered into. The Consolidated Group also has a minor office equipment lease for a 5 year period expiring in March 2023.		
<b>Capital expenditure commitments</b>		
<u>Capital expenditure projects</u>		
Not longer than one year	1,655,188	2,073,897
Longer than one year and not longer than five years	-	820,147
Longer than five years	-	-
	<b>1,655,188</b>	<b>2,894,043</b>
Capital commitments relate to product development projects being undertaken by World Reach Limited's subsidiary, Beam Communications Pty Ltd.		
<b>Superannuation commitments</b>		
World Reach Limited makes superannuation contributions to prescribed superannuation funds on behalf of employees and executive directors, as required by the Superannuation Guarantee legislation. The principal types of benefits are death, permanent disability and superannuation benefits upon retirement.		
<b>16 Notes to the statement of cash flows</b>		
<b>(a) Reconciliation of (loss) / profit after income tax benefit to net cash flow from operating activities</b>		
Loss after tax	(1,565,134)	(558,320)
<i>Adjustments for</i>		
Depreciation	76,599	78,381
Amortisation	694,447	423,782
Impairment	793,922	
Net profit on disposal of plant and equipment	20,253	508
<i>Changes in assets and liabilities:</i>		
Increase in trade and other receivables	(71,351)	(455,189)
(Increase) / Decrease in inventory	(1,543,096)	928,716
Decrease in deferred tax assets	120,932	134,154
Increase / (Decrease) in trade and other payables	(176,783)	513,674
Increase / (Decrease) in employee provisions	55,707	(202,298)
Increase in provision for warranty costs	21,052	-
Increase / (Decrease) in provision for stock obsolescence	10,000	(20,000)
Decrease in provision for doubtful debts	(58,420)	
<b>Net cash (used in)/ provided by operating activities</b>	<b>(1,621,871)</b>	<b>843,405</b>

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**16 Notes to the statement of cash flows (continued)**

**(b) Reconciliation of cash**

Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:

Cash and cash equivalents (Note 4)

Year ended	
30 June 2018	30 June 2017
\$	\$
528,925	595,734

**(c) Non cash financing and investing activities**

Non cash financing and investing activities undertaken by the Consolidated Group during the year are disclosed in Note 18.

**(d) Facilities**

At 30 June 2018, the Consolidated Group had the following unused bank facilities with the National Australia Bank:

- an Australian dollar overdraft with a limit of \$300,000. The overdraft was not utilised at 30 June 2018.
- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 30 June 2018.

Bank guarantee facilities of the Consolidated Group total \$150,000 of which \$100,000 has been allocated to a subsidiary company and \$50,000 to the parent. Both were fully utilised at 30 June 2018.

The Consolidated Group's banking facilities are subject to the Group satisfying quarterly covenants set by the bank. The Group did not meet all covenants during the year ended 30 June 2018 however the bank reconfirmed the banking facilities as continuing on 24 August 2018.

**17 Key management personnel disclosures**

**Compensation by category**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

Short-term employee benefits	1,020,915	952,981
Post-employee benefits	79,448	77,303
Other long-term benefits	6,918	8,710
Termination benefits	-	-
Share-based payments	-	-
	<b>1,107,281</b>	<b>1,038,994</b>

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**18 Share based payments**

Share options are granted at the discretion of the directors based on terms and conditions set out in the Company's Share Option Incentive Plan. The directors may at any time and from time to time determine eligible persons for the purposes of the option plan and select amongst those eligible persons participants who will be invited to participate in the option plan.

Options issued to directors pursuant to the option plan will be subject to approval of shareholders in general meeting, in compliance with the Listing Rules.

(a) The following share based payment arrangements existed at 30 June 2018:

- (i) 884,813 options were granted on 31 March 2015 to key employees with an expiry date of 31 March 2020 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 June 2015 at \$0.195 per share (Issue WRR55). 95,288 of these options lapsed or were cancelled in the periods prior to 30 June 2018. 789,525 of these options are outstanding as at 30 June 2018.
- (ii) 884,813 options were granted on 24 December 2015 to key employees with an expiry date of 31 August 2020 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 June 2016 at \$0.195 per share (Issue WRR56). 95,288 of these options lapsed or were cancelled in the periods prior to 30 June 2018. 789,525 of these options are outstanding as at 30 June 2018.
- (iii) 907,500 options were granted on 24 December 2015 to a director with an expiry date of 30 November 2020 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 June 2016 at \$0.195 per share (Issue WRR57). 907,500 of these options are outstanding as at 30 June 2018.

(b) The following table illustrates the number (No.) and weighted average exercise prices (WAEP) and movements in share options issued during the year for the Company:

	30 June 2018		30 June 2017	
	No.	WAEP \$	No.	WAEP \$
Outstanding at the beginning of the financial year	3,086,550	0.2834	3,944,626	0.2686
Granted during the financial year	-	-	-	-
Lapsed during the financial year	-	-	(200,576)	0.2077
Cancelled during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	(600,000)	0.6500	(657,500)	0.2173
Outstanding at the end of the financial year	2,486,550	0.1950	3,086,550	0.2834
Exercisable at the end of the financial year	2,486,550	0.1950	3,086,550	0.2834

**(c) Notes to Share Based Payments**

- (i) The weighted average remaining contractual life for the share options outstanding as at 30 June 2018 is 2.12 years (2017: 2.52 years). The exercise price for options outstanding at the end of the year was \$0.195 (2017: A range of \$0.195 - \$0.65). The weighted average fair value of options granted during the year was \$0 (none granted) (2017: \$0 (none granted)). The fair value of equity-settled share options granted under the Company's Share Option Incentive Plan is estimated as at grant date using the Binomial Option Valuation model, with Black Scholes crosscheck, taking into account the terms and conditions upon which the options were granted.

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
<b>19 Remuneration of auditors</b>		
Remuneration of the Auditor for auditing or reviewing financial reports of the Consolidated Group	55,000	58,000
<b>20 Related party transactions</b>		
Related party transactions with the Seasons Group, which is related to Mr C Hung, a director of the company.		
<i>Transactions with the Seasons Group</i>		
- Purchases	3,273,218	1,393,718
- Sales	(259,410)	(109,416)
<i>Amounts outstanding with the Seasons Group</i>		
- Receivables	19,981	56,927
- Payables	(622,198)	(463,104)
Mr C Hung is a director of the company, and is also the president and a director of Season Group. During the year ended 30 June 2018 the company subcontracted manufacturing on an arms length basis to Season Group, in accordance with a contract signed prior to his appointment as director. Transactions between the company and Season Group are on normal commercial terms and conditions no more favourable than those available to other parties.		
On 19 October 2016 the Group entered into a secured finance facility with a major shareholder, SGV1 Holdings Limited, a company associated with Mr Carl Hung. Refer to note 11 for more details.		
<b>21 Earnings per share</b>		
	¢	¢
<b>Overall operations</b>	(3.07)	(1.29)
Basic earnings per share	(3.07)	(1.29)
Dilutive earnings per share		
	No.	No.
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	50,933,452	43,173,452
Weighted average number of dilutive options	-	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings Per Share	50,933,452	43,173,452
Anti-dilutive options on issue not used in dilutive EPS calculation	2,486,550	3,086,550
Anti-dilutive options have not been considered in the dilutive earnings per share calculation due to the average market price being less than the exercisable price.		
	\$	\$
<b>Earnings:</b>		
Earnings used in the calculation of Basic Earnings Per Share	(1,565,134)	(558,320)
Earnings used in the calculation of Dilutive Earnings Per Share	(1,565,134)	(558,320)

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**22 Segment reporting**

**(a) Sole operating segment**

The Consolidated Group has identified operating segments based upon internal reports that are reviewed and used by the Directors in assessing performance and determining the allocation of resources in respect of its satellite communications products services and online sales. As the online sales segment operated by SatPhone Shop Pty Ltd, a wholly owned subsidiary company, does not meet the quantitative threshold for separate disclosure, the company considers its aggregate segment as its sole segment. Accordingly, revenue and results are fully disclosed in the consolidated statement of profit or loss and other comprehensive income for this aggregated sole operating segment.

Revenue and results are fully disclosed in the consolidated statement of profit or loss and other comprehensive income for the aggregated sole operating segment.

The consolidated statement of financial position discloses the sole operating segment assets and liabilities which are held within Australia.

**(b) Revenue by geographical region**

Revenue attributable to external customers is disclosed below, based upon the location of the external customer

	Year ended 30 June 2018		Year ended 30 June 2017	
	\$	%	\$	%
<b>Sales by country</b>				
Australia	3,336,752	28.67%	3,380,980	34.22%
United States of America	2,721,418	23.38%	2,010,198	20.35%
United Kingdom	1,222,954	10.51%	1,479,123	14.97%
Canada	1,135,482	9.76%	341,151	3.45%
United Arab Emirates	1,048,097	9.01%	41,272	0.42%
Japan	610,956	5.25%	488,396	4.94%
China	251,945	2.16%	946,383	9.58%
Other foreign countries	1,310,566	11.26%	1,192,651	12.07%
	11,638,170	100.00%	9,880,153	100.00%

**(c) Major customers**

The Consolidated Group has a number of customers to whom it provides products and services. The Consolidated Group supplied a single customer in the USA accounting for 16% of external revenue (2017: the largest customer was also in the USA, 11%) and the second largest customer, located in the United Arab Emirates accounted for 8% of external revenue (2017: second largest customer was in the UK, 10%). The next most significant customer also accounts for 8% of external revenue (2017: 10%).



**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**23 Parent company disclosures**

Set out below is the supplementary information about the parent entity.

**(a) Statement of profit or loss and other comprehensive income**

Loss from continuing operations

Tax expense

**Loss for the year attributable to owners of the Company**

Other comprehensive income

**Total loss and other comprehensive income for the year attributable to owners of the Company**

**(b) Statement of financial position**

**Assets**

Current assets

Non-current assets

Total assets

**Liabilities**

Current liabilities

Non-current liabilities

Total liabilities

Deficiency of net assets

**Equity**

Issued capital

Reserves

Accumulated losses

Total equity

	Year ended	
	30 June 2018 \$	30 June 2017 \$
Loss from continuing operations	(1,051,055)	(907,522)
Tax expense	(120,932)	(134,154)
<b>Loss for the year attributable to owners of the Company</b>	<b>(1,171,987)</b>	<b>(1,041,676)</b>
Other comprehensive income	-	-
<b>Total loss and other comprehensive income for the year attributable to owners of the Company</b>	<b>(1,171,987)</b>	<b>(1,041,676)</b>
<b>(b) Statement of financial position</b>		
<b>Assets</b>		
Current assets	799,728	577,329
Non-current assets	1,343,049	1,480,084
Total assets	2,142,777	2,057,414
<b>Liabilities</b>		
Current liabilities	2,879,788	3,494,873
Non-current liabilities	19,919	9,195
Total liabilities	2,899,707	3,504,068
Deficiency of net assets	(756,929)	(1,446,654)
<b>Equity</b>		
Issued capital	7,646,641	5,784,925
Reserves	411,189	493,089
Accumulated losses	(8,814,755)	(7,724,668)
Total equity	(756,926)	(1,446,654)

**WORLD REACH LIMITED AND CONTROLLED ENTITIES**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**23 Parent company disclosures (continued)**

**(c) Guarantees**

The parent company has no contractual guarantees in place.

**(d) Contractual commitments**

Parent entity operating lease commitments are the same as consolidated entity commitments as disclosed in Note 15. The parent entity has no capital expenditure commitments.

**(e) Significant accounting policies of the parent are the same as those for the consolidated entity.**

**24 Controlled entities**

	Incorporated	Share class	Holding	
			2018	2017
<b>Investments in unquoted corporations being controlled entities:</b>				
Beam Communications Pty Ltd	Australia	Ordinary	100%	100%
SatPhonerental Pty Ltd	Australia	Ordinary	100%	100%
SatPhone Shop Pty Ltd	Australia	Ordinary	100%	100%
Beam Communications USA Inc	USA	Ordinary	100%	100%
Pacarc (PNG) Limited (Dormant)	Papua New Guinea	Ordinary	100%	100%

**25 Events after the Reporting Period**

On 5 July 2018 the Group released a statement which announced the dispatch of the delayed shipment of 2500 Iridium GO!® units which completed the fourth order from Iridium. On 17 July the Group announced the receipt of a fifth order from Iridium for 5000 Iridium GO!® units to be delivered in the second half of FY2019.

Other than the above, there have been no significant events since the end of the reporting period.

**26 Company details and principal place of business**

World Reach Limited is a limited company incorporated in Australia.

The principal activities of the Company and subsidiaries are outlined in the Director's Report.

The address of its registered office and principal place of business is:

5 / 8 Anzed Court  
 Mulgrave Victoria 3170  
 Australia

## DIRECTORS' DECLARATION

The directors of World Reach Limited declare that:

1. The financial statements and notes as set out in pages 32 to 55 are in accordance with the Corporations Act 2001 and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards;
  - (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the company and consolidated group; and
  - (c) any other matters that are prescribed by the regulations for the purposes of this declaration in relation to the financial statements and the notes for the financial year are also satisfied.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2018.

This declaration is made in accordance with a resolution of the Board of Directors on 30 August 2018.



Mr Simon Wallace  
Chairman  
Date: 30 August 2018



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## INDEPENDENT AUDITOR'S REPORT To the Members of World Reach Ltd

**Opinion**

We have audited the financial report of World Reach Ltd. (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) 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.

### THE POWER OF BEING UNDERSTOOD AUDIT | TAX | CONSULTING

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

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### Key Audit Matters (Continued.)

Key Audit Matter	How our audit addressed this matter
<b>Impairment of Intangible Assets</b> Refer to Note 9 in the financial statements	
<p>The Group has intangible assets of \$4.8m, being capitalised development costs relating to Thuraya and Marconi projects.</p> <p>The Thuraya asset was available for use from March 2018, and therefore amortisation commenced during FY18. The Marconi asset was not available for use as at 30 June 2018. Management have performed an impairment assessment for both assets based on a value in use calculation, which determined that no impairment had occurred.</p> <p>We identified this area as a Key Audit Matter due to the size of the intangible assets balance and the judgment involved in determining the value in use of the relevant assets based on the estimated future cash flows generated.</p>	<p>Our audit procedures in relation to intangible assets included:</p> <ul style="list-style-type: none"> <li>Assessing management's impairment assessment by checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets;</li> <li>Challenging the reasonableness of key assumptions, including the cash flow and revenue projections, revenue growth rate, exchange rates, discount rates, and any sensitivities used; and</li> <li>Confirming our understanding of the nature of the intangible assets, the strategic purpose of the projects and its ability to generate future revenues through discussions with management.</li> </ul>
<b>Deferred Tax Asset – tax losses</b> Refer to Note 3 and Note 8 in the financial statements	
<p>The Group has a material Deferred Tax Asset balance of \$1.2m relating to operating losses and temporary differences.</p> <p>This is considered a key audit matter as there is a high degree of subjectivity and complexity in respect of the recognition of the deferred tax asset and the expectation that future profits against which the deferred tax asset can be utilised are more likely than not.</p>	<p>Our audit procedures in relation to the deferred tax balance included:</p> <ul style="list-style-type: none"> <li>Assessing management's assumptions in relation to the recoverability of the deferred tax asset and the manner in which temporary differences would be reversed and losses utilised. This included reviewing and challenging management's budgets and cash flow forecasts, and determining the historical accuracy of management's assumptions; and</li> <li>Assessing the appropriateness and adequacy of disclosures made in the financial statements in note 3 <i>Income Tax</i>.</li> </ul>

### Other Information

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 2018, but does not include the financial report and the 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.

**Other Information (Continued.)**

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 the 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

**Report on the Remuneration Report***Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of World Reach Ltd., for the year ended 30 June 2018, 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, appearing to read 'RSM', is positioned above the company name.

**RSM AUSTRALIA PARTNERS**

A handwritten signature in blue ink, appearing to read 'J S Croall', is positioned above the name.

**J S CROALL**  
PartnerDated: 30 August 2018  
Melbourne, Victoria





## AUSTRALIAN SECURITIES EXCHANGE INFORMATION

As at 31 August 2018.

This section includes information required by ASX Listing Rules which is not disclosed elsewhere in this Annual Report.

### TWENTY LARGEST SHAREHOLDERS

	Number	% of Class
DAVID STEWART/GLENAYR P/L	10,540,000	19.93%
SGV1 HOLDINGS LIMITED	9,243,207	17.48%
FF OKRAM PTY LTD	8,634,258	16.33%
ARTPRECIATION PTY LTD	1,848,632	3.50%
CAPOCCHI SUPER PTY LTD	1,603,899	3.03%
KILLARNEY PROPERTIES P/L	1,212,245	2.29%
RAPAKI PTY LTD	1,076,473	2.04%
IVAN & FELICITY TANNER	861,035	1.63%
HOTTON FAMILY	807,052	1.53%
EVERCITY PTY LTD	800,000	1.38%
TOM BEKIARIS	731,835	1.70%
VINCENT GALANTE	694,487	1.31%
SIMPSON FAMILY	600,000	1.13%
PETER LINCOLN SIMPSON	600,000	1.13%
ROBERT MANSFIELD NIALI	527,200	1.00%
TWARTZ FAMILY	416,666	0.79%
TASMAN DOUGLAS LOVELL	410,000	0.78%
NICHOLAS ANDREW ROXBURGH	370,000	0.70%
HUGH WILLIAM ROXBURGH	360,000	0.68%
INVIA CUSTODIAN PTY LTD	348,731	0.66%
<b>TOTAL TOP 20:</b>	<b>41,685,720</b>	<b>78.84%</b>
<b>TOTAL ISSUED:</b>	<b>52,873,452</b>	<b>100.00%</b>

### HOLDERS OF EACH CLASS OF EQUITY SECURITY

The company has issued:

- 52,873,452 ordinary fully paid shares to 653 shareholders.
- 2,486,550 options to subscribe for ordinary shares to 7 option holders.

No convertible notes remain on issue.

### VOTING RIGHTS

There are 52,873,452 ordinary fully paid shares held by 653 members and these are the only class of share currently issued. The Company's Constitution provides that every member present in person, by proxy or by corporate representative or by appointed attorney shall on the show of hands have one vote.

### SUBSTANTIAL SHAREHOLDERS

	Number of Shares	% of Class
DAVID STEWART/GLENAYR P/L	10,540,000	19.93%
SGV1 HOLDINGS LIMITED	9,243,207	17.48%
FF OKRAM PTY LTD	8,634,258	16.33%

- These shareholders do not hold any options to subscribe for ordinary shares.

### DISTRIBUTION OF SHARES

Size of Holdings	Number of Holders	Number of Shares	%
1 to 1,000	251	71,922	0.14%
1,001 to 5,000	132	369,134	0.70%
5,001 to 10,000	63	465,454	0.88%
10,001 to 100,000	156	5,505,238	10.41%
100,001 and over	51	46,461,704	87.87%
<b>TOTAL</b>	<b>653</b>	<b>52,873,452</b>	<b>100.00%</b>

### HOLDERS OF LESS THAN A MARKETABLE PARCEL OF QUOTED ORDINARY SHARES

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted Shares
347	53.14%	289,169	0.55%









**World Reach Limited**  
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