



**World Reach Limited**  
ABN 39010 568 804

5 / 8 Anzed Court, Mulgrave,  
Victoria, Australia 3170

T +61 3 8561 4200  
F +61 3 9560 9055  
E: [info@worldreach.com.au](mailto:info@worldreach.com.au)

12 September 2014

The Manager  
Market Announcements Platform  
Australian Securities Exchange

**Annual Report for Year Ending 30 June 2014**

Following a successful year, the Company has great pleasure in enclosing its full Annual Report for the year ending 30 June 2014, including Directors' Report, audited Financial Statements and Notes to the Accounts, for immediate release.

Yours faithfully

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

Dennis Payne  
Secretary



ANNUAL REPORT 2014

world reach

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## **DIRECTORATE**

NON-EXECUTIVE CHAIRMAN  
Mr Trevor Bruce Moyle  
MANAGING DIRECTOR  
Mr Michael Ian Capocchi  
NON-EXECUTIVE DIRECTORS  
Mr John Broadhurst Bee  
Mr Carl Cheung Hung  
COMPANY SECRETARY  
Mr Dennis Frank Payne

## **REGISTERED OFFICE**

Unit 5 / 8 Anzed Court  
Mulgrave, Vic, 3170  
Ph: (03) 8561 4200  
Fax: (03) 9560 9055  
Email: info@worldreach.com.au

## **SHARE REGISTER**

Link Market Services Ltd  
Locked Bag A14  
Sydney South, NSW, 1235  
Ph: (02) 8280 7454  
Fax: (02) 9287 0303

## **SOLICITORS TO THE COMPANY**

GrilloHiggins Lawyers  
Level 20, 31 Queen Street  
Melbourne, Vic, 3000  
Ph: (03) 8621 8880

## **AUDITOR**

RSM Bird Cameron Partners  
Level 21, 55 Collins Street  
MELBOURNE VIC 3000  
Ph: (03) 9286 8000  
Fax: (03) 9286 8199

## **ASX OFFICE**

Based in Sydney

## **ASX CODE**

WRR

## CHAIRMAN'S REPORT

As Chairman I am pleased to provide the following report on the Company for the year ended 30 June 2014.

### Profit Performance and Outlook

The Company has taken a major step forward in this past financial year, meeting the challenges described last year; particularly in terms of strengthening the Company's global sales distribution network and bringing to fruition the development of a major new product which was launched in June 2014.

The Company began recording regular monthly profits in September 2013, a trend which continued throughout the year, culminating in after tax profit of \$439,449 for the financial year.

The new financial year will provide a new set of challenges for the Company to ensure the continuance of consistently profitable trading performances. Features of the Company's current strategic outlook are:

- The introduction of a variety of new products which are either in process of development or 'on the drawing board', particularly as extensions of the product launched in June 2014.
- The further development of the Company's global sales distribution network into countries such as Japan, China and Russia; and
- The expansion of the commercial relationship with Season Group which is providing opportunities for improving efficiency in the production and logistics functions of the Company.

### Strategy

The strategy developed by the board and the CEO last year provided a comprehensive basis for planning the next few years when significant events in the satellite market are expected.

The strategy document provided a sound blue print for FY14 and in turn the financial budget for the FY15 financial year. While a conservative approach shows that FY15 maybe a 'steady as she goes' performance, it is in line with the Company's objective of producing consistent profits.

The Company is maintaining a close vigilance on the expected developments in the satellite market, with a view to capitalising on emerging investment opportunities.

## Capital Management

On 1 July 2014 World Reach Limited embarked upon an extensive capital restructuring initiative. We announced a renounceable rights offer which allowed existing shareholders the right to purchase one new share per eligible share owned, at an issue price of \$0.15 per share. The rights offer was partially underwritten to the value of \$2,400,000. On 28 July 2014 the Group completed the rights offer with the issue of 16,000,000 new Ordinary Shares raising \$2,400,000 in capital funds (before costs).

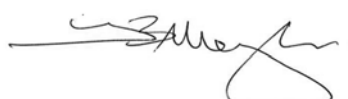
The Company invited convertible note holders to either convert to shares or have their notes redeemed by cash payment after completion of the renounceable rights issue. The funds raised from the rights issue were sufficient to repay the majority of the Group's interest bearing debt, which has consequently provided a substantial improvement to the Group's balance sheet. The debt repayments include the redemption of the remaining convertible notes not converted of \$500,000, the repayment of a shareholder loan of \$300,000 and repayment of the bank term loan of \$275,000. This is in addition to the early repayment of the balance of extended credit of US\$600,000 provided by creditors to part fund the recently completed major development project. These repayments were complete at the date of today's report, which I regard as a substantial milestone event for the Company.

The conversion of 26 notes into shares by SGV1 Holdings Limited, a company Mr Carl Hung of Season Group is associated with, and SGV1's participation in the rights issue and subsequent underwriting, resulted in SGV1 becoming the largest shareholder in the Company holding 21.41% of the Company's shares. As highlighted above the growing relationship with Season Group is a valuable one for both companies.

The Company is also fortunate to have the support of another Hong Kong based investment company, Ample Skill Limited, which also participated in the rights issue and the underwriting and which holds 19.12% of the Company.

### Appreciation to Staff and Board

Finally I would like to again express my gratitude to the leadership of the Company CEO, Mike Capocchi, and his executive team for their tireless pursuit of opportunities available to the Company.



Mr Trevor Moyle  
Chairman

## DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2014.

### 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:

Michael Ian Capocchi  
John Broadhurst Bee  
Trevor Bruce Moyle  
Carl Cheung Hung

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

#### **Trevor Bruce Moyle – Chairman**

Age: 65

Mr Moyle has over 30 years senior executive and corporate advisory experience in equity capital markets, banking, structured finance, venture capital, corporate strategy, M&As and funds management. His roles as an advisor have been augmented by roles as a board member and chairman of a number of companies including a number of roles on board sub committees.

His executive experience has been gained at finance houses such as ANZ Securities Ltd, Oxley Corporate Finance Ltd, Cranleigh, Pratt & Co Financial Services Ltd, ANZ Capital Markets Ltd and Westpac.

Over the past ten years Mr Moyle has been primarily operating as an independent advisor working directly with his client base, which has included some executive board roles.

#### **John Broadhurst Bee – Non Executive Director**

Age: 70

Mr Bee has an MBA from Stanford University and following careers with McKinsey & Co and Egon Zehnder International established his own consulting practice in Melbourne as a management consultant specialising in revenue growth.

Other experience includes Head of Marketing at a large financial institution and a senior sales role with IBM. Mr Bee's marketing and business development expertise has been gained from over thirty years experience in these senior executive positions.

#### **Michael Ian Capocchi – Managing Director**

Age: 43

Mr Capocchi has had over 16 years experience in the ICT industry and has held several senior management positions.

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

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

Mr Capocchi has also 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.

Mr Capocchi is an integral part of the World Reach business, including managing the day to day operations of the group.

#### **Mr Carl Cheung Hung – Non Executive Director**

Age: 30

Mr 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.

Mr Hung is President and COO of Season Group International Inc, a global Electronic Manufacturing Services provider. He has helped grow the company from USD15 million in 2002 to USD123 million in 2013, expanding the company's footprint from China, Canada and Malaysia to include the USA and 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.

## **DIRECTORS' REPORT (continued)**

### **DIRECTORS (continued)**

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

During the year, the economic entity has paid premiums in respect of an insurance contract to indemnify directors and officers against liabilities that may arise from their position as directors or officers of the economic entity. Directors and officers indemnified include the company secretary, all directors 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**

No Director of World Reach Ltd has been a Director of any other listed companies 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. Mr Payne joined the Company in 2005 and also has served since that date as Chief Financial Officer.

Prior to joining World Reach Limited Mr Payne 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.



## DIRECTORS' REPORT (continued)

### OPERATING RESULTS AND REVIEW OF ACTIVITIES

The Consolidated Group reports a total comprehensive profit of \$439,449 for the year on total revenue of \$12,630,372 (2013: total comprehensive loss of \$835,290 (revised figure) on revenue of \$14,073,087).

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

	2014 \$000	2013 \$000
Revenue	12,630	14,073
<u>Deduct</u>		
Cost of goods sold, research & development, administrative marketing and corporate expenses	13,201	13,201
Operating profit before amortisation, depreciation, interest and tax	1846	872
<u>Deduct</u>		
Amortisation	695	972
Depreciation	76	79
Interest (2013 revised)	636	656
Operating profit / (loss)	439	(835)
Net profit / (loss) for year	439	(835)
Total profit and other comprehensive income for the year	439	(835)

The Group is very pleased to report a profit turnaround of more than \$1.2M when compared to last year. The Group achieved a modest profit in the second half of FY13 on the back of a substantial growth in sales revenue. This growth continued into FY14 with three major trading aspects contributing to the profit result:

- Consistent sales of existing products to core global distributors that provided profitable and cash flow positive monthly performances during the year.
- The reduction of high volume/low margin sales that had been evident in recent years.
- Sales of new products from the latest development project commenced in June 2014 producing \$1.7M in revenue, assisting profit in June quarter.

These factors resulted in higher average profit margins and achievement of a net profit ahead of budget expectations.

Monthly amortisation of the capitalised development costs of an older project ceased in September 2013. This together with a delay in completing the latest project until June 2014 (when amortisation commenced), produced a reduction in amortisation costs year on year.

Financing costs were slightly below the previous year. The Group adopted a revised accounting treatment for convertible notes (to comply with accounting standards) during the period, which required expensing of notional interest (above actual interest) in FY14 of \$203,000 (\$234,000 in the amended FY13 figure).

The Group secured an equity capital injection of \$438,000 from a Hong Kong based investor in February 2014 and received a government R&D cash grant of \$471,000 in June 2014. These assisted the achievement of a reduction in interest costs.

The Group is forecasting growth in its trading operations for the 30 June 2015 financial year with a modest improvement in sales and profitability and achievement of positive operating cash flows. The trading forecasts are underpinned by:

- The forecast continuance of a strong level of business in existing products.
- The sale of new products from the recently completed major development project. Sales began in June 2014 with a contracted minimum level of sales for the first twelve months of US\$3M.
- The emerging performances of SatPhone Shop and Short Burst Data airtime services sold in Australia which are expected to continue and contribute \$2.0M to FY15 revenue.

On 28 July 2014 the Group completed a renounceable rights issue which raised \$2.4M in equity capital. During this process and afterwards some convertible note holders either converted to shares or advised the Group that they intended to convert. The renounceable rights funds were sufficient to repay the majority of the Groups interest bearing debt. This included repaying the remaining convertible notes not converted by 22 August 2014 valued at \$500,000 (repaid on 26 August 2014), repaying a shareholder loan of \$300,000 (which occurred on 27 August 2014) and the bank term loan of \$275,000 (repaid on 29 August 2014), as well as the balance of extended credit of US\$600,000 provided by creditors to part fund the recently completed major development project. At 29 August 2014 all convertible notes had either been converted to shares or redeemed, such that no notes remain on issue by the Company.

The capital inflow will provide a substantial improvement to the Group's balance sheet and a reduction in ongoing interest costs. This and the factors described above give the Directors confidence in the outlook for FY15.

## DIRECTORS' REPORT (continued)

### SIGNIFICANT CHANGES IN STATE OF AFFAIRS

On 24 February 2014 the World Reach Limited completed a share placement to Ample Skill Limited. The funds raised of \$392,264 (net of costs) represent an increase of 28% in issued capital. There were no other significant changes in the state of affairs of the Consolidated Group during the financial year.

### EVENTS AFTER REPORTING DATE

The Group completed a renounceable rights offer on 28 July 2014 with the issue of 16,000,000 new Ordinary Shares raising \$2,340,215 in capital funds (net of costs). During this process and afterwards some convertible note holders either converted to shares or advised the Group that they intended to convert.

The funds raised were sufficient to repay the majority of the Group's interest bearing debt (refer to page 5 for details). As at 29 August 2014 all convertible notes had either been converted to shares or redeemed, such that no notes remain on issue by the Company.

The issued capital of the Company has increased by \$4,515,215 or 255% since 30 June 2014.

### 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 2014 on the exercise of options.

### DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the Directors in the securities of the Company are detailed in Note 16 of the financial statements.

### SHARES UNDER OPTION

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
30.09.09	30.09.14	\$0.6500	114,500
01.01.11	01.01.16	\$0.6500	72,500
01.02.12	01.02.17	\$0.4500	75,000
26.07.12	01.07.17	\$0.6500	800,000
12.12.12	01.07.17	\$0.6500	200,000
18.12.13	18.12.14	\$0.3000	260,000
			1,522,000

### DIRECTORS' MEETINGS

During the year ended 30 June 2014 the Company held 19 meetings of Directors (including Audit Committee meetings). Attendances by each Director during the year were:

Director	Directors meetings		Committees	
	Attended	Maximum Possible Attended	Attended	Maximum Possible Attended
T Moyle	16	16	3	3
M Capocchi	16	16	0	0
J Bee	16	16	3	3
C Hung	15	16	0	0



## DIRECTORS' REPORT (continued)

### 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.

The Managing Director has 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. For FY14 the minimum target level was attained and therefore 100% of the potential performance bonus became payable.

No other key management executive has a contractual performance bonus entitlement.

#### Long-term Incentives

The Company's Share Option Incentive Plan in which executive directors and senior executives may participate was approved by shareholders on 25 November 2011 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 in FY14 under the Share Option Incentive Plan.

#### 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

The employment contract of the Managing Director was extended by the Company on 30 June 2014 for a further 4 years expiring on 30 June 2018. It can only be terminated by the company in the event of specified breaches by the employee or on payment of all amounts becoming due under the contract.

All other executives are permanent employees.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

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

#### Directors

Mr M Capocchi	Executive Managing Director
Mr J Bee	Non Executive Director
Mr C Hung	Non Executive Director
Mr T Moyle	Non Executive Chairman

#### Other key management personnel

Mr D Payne	Chief Financial Officer and Company Secretary
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### (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:

	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>2014</b>											
<b>Directors</b>											
Mr T Moyle	40,000							7,370	47,370	0.00%	15.56%
Mr M Capocchi	348,755	43,945	39,790	19,400	31,390	6,445		29,820	519,545	8.46%	5.74%
Mr J Bee	40,000							9,940	49,940	0.00%	19.90%
Mr C Hung									-	0.00%	0.00%
<b>Other</b>											
Mr D Payne	177,014	10,000	-	(1,316)	16,375	4,837			206,910	4.83%	0.00%
<b>Total</b>	<b>605,769</b>	<b>53,945</b>	<b>39,790</b>	<b>18,084</b>	<b>47,765</b>	<b>11,282</b>	<b>-</b>	<b>47,130</b>	<b>823,765</b>		
<b>2013</b>											
<b>Directors</b>											
Mr T Moyle	33,333							4,034	37,367	0.00%	10.80%
Mr M Capocchi	317,140	-	22,000	4,470	30,710	5,030		27,662	407,012	0.00%	6.80%
Mr J Bee	40,000							9,221	49,221	0.00%	18.73%
Mr C Hung									-	0.00%	0.00%
<b>Other</b>											
Mr D Payne	169,320	-	-	(1,480)	15,240	2,700			185,780	0.00%	0.00%
<b>Total</b>	<b>559,793</b>	<b>-</b>	<b>22,000</b>	<b>2,990</b>	<b>45,950</b>	<b>7,730</b>	<b>-</b>	<b>40,917</b>	<b>679,380</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 issue to the date of vesting.

[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.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

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

2014	Grant date	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 T Moyle	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-
Mr J Bee	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-
<b>Other</b>							
Mr D Payne	-	-	-	-	-	(3,150)	(3,150)
<b>2013</b>							
	Grant date	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 T Moyle	12.12.12	200,000	0.0858	17,153	-	-	17,153
Mr M Capocchi	26.07.12	600,000	0.1365	81,900	-	(240,700)	(158,800)
Mr J Bee	26.07.12	200,000	0.1365	27,300	-	-	27,300
Mr C Hung	-	-	-	-	-	-	-
<b>Other</b>							
Mr D Payne	-	-	-	-	-	-	-

#### (c) (ii) Options granted and/or vested during the year

Terms & conditions for each grant									
2014	Vested No.	Granted No.	Grant date	Value per option at grant date \$	Exercise price \$	Expiry date	First exercise date	Last exercise date	
<b>Directors</b>									
Mr T Moyle	-	-	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-	-	-
Mr J Bee	-	-	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-	-	-
<b>Other</b>									
Mr D Payne	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-

Terms & conditions for each grant									
2013	Vested No.	Granted No.	Grant date	Value per option at grant date \$	Exercise price \$	Expiry date	First exercise date	Last exercise date	
<b>Directors</b>									
Mr T Moyle	-	200,000	12.12.12	0.0858	0.6500	01.07.17	01.07.14	01.07.17	
Mr M Capocchi	-	600,000	26.07.12	0.1365	0.6500	01.07.17	01.07.14	01.07.17	
Mr J Bee	-	200,000	26.07.12	0.1365	0.6500	01.07.17	01.07.14	01.07.17	
Mr C Hung	-	-	-	-	-	-	-	-	
<b>Other</b>									
Mr D Payne	-	-	-	-	-	-	-	-	
<b>Total</b>	-	-	-	-	-	-	-	-	

For further details relating to options, refer to Note 17 of the financial statements.

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

No options were exercised by key management personnel during the financial year ended 30 June 2014 and comparative year ended 30 June 2013.

#### (e) Voting and comments made at the Company's 2013 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.

## **DIRECTORS' REPORT (continued)**

### **NON AUDIT SERVICES**

No non audit services were undertaken by the external auditors during the year ended 30 June 2014.

### **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 11 September 2014.

A handwritten signature in black ink, appearing to read 'T. Moyle', with a large loop at the end.

Mr Trevor Moyle  
Chairman

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of World Reach Limited for the year ended 30 June 2014, 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.



### RSM BIRD CAMERON PARTNERS



**J S CROALL**  
Partner  
Melbourne, VIC

Dated: 11 September 2014

## CORPORATE GOVERNANCE

The Directors of World Reach Limited 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.

The Directors support, and have substantially implemented, the Corporate Governance Principles and Recommendations as amended by the Australian Securities Exchange (ASX) Corporate Governance Council in 2007 and 2010 and as revised and re-issued as a third edition in 2014.

In line with these recommendations and the requirements of the ASX Listing Rule 4.10.3 and in the spirit of good disclosure we report on our compliance, at the date on which the Directors' report is made out, with each of the Principles and Recommendations. The Directors note that the third edition has modified the requirements under Listing Rule 4.10.3 for reporting periods beginning on 1 July 2014. These requirements will be addressed for financial year 2014/15.

### **Principle 1: Companies should establish and disclose the respective roles and responsibilities of the board and management**

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:

- setting of objectives, goals and corporate direction;
- adopting and monitoring progress of a strategic plan;
- adopting an annual budget and constant monitoring of financial performance;
- ensuring adequate internal financial, accounting and managerial controls exist and are appropriately monitored for compliance;
- developing, publishing, reviewing, implementing and monitoring corporate governance policy, the committee system, the company's constitution, codes of conduct, corporate management and legislative compliance;

- ensuring significant business risks are identified and appropriately managed;
- ensuring the Company maintains, at all times, the highest standard of business, financial and ethical behaviour;
- selecting and recommending new Directors, including the Managing Director, to shareholders;
- setting compensation arrangements for Executive Directors and executive management after receiving recommendations from the Audit Committee;
- occupational health and safety issues and ensuring an appropriate system of management is implemented;
- reporting to shareholders; and
- approving decisions concerning the capital of the company, including capital restructures and significant changes to major financing arrangements.

### **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.

### **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.

### **Principle 2: Companies should have a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties**

### **Board Processes**

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



## CORPORATE GOVERNANCE (continued)

- the Board should be made up of a majority of Independent Directors;
- The Board should encourage gender diversity for Directors subject to skill and experience;
- 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.

### 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 2014, the Board and/or its committees met 19 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.

### 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.

### Directors Independence

At the date on which the Directors' report is made out, the Company has a 4 member Board consisting of three non-executive Directors. Two of the three non-executive Directors are considered by the Board to be independent of management in terms of the ASX Corporate Governance Council's definition of independent Directors in that they do not have any business interest or other relationship that could materially interfere with the exercise of their judgment and ability to act in the best interests of the Company.

In the interest of clear disclosure:

- Mr Carl Hung, a non-executive Director, is also the President 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 21.41% of the Company's issued shares and is thereby a substantial holder.
- Mr John Bee, an independent non-executive Director, holds an interest at the date of this report in 1.67% of the Company through JBB Superannuation Fund and is thereby not defined as a substantial shareholder. The Directors consider this holding is not material when considering the ability of Mr Bee to act as an independent Director.

## **CORPORATE GOVERNANCE (continued)**

- Mr Trevor Moyle, an independent non-executive Director is the Chairman of the Board.

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

### **Appointment of Directors**

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

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. External advisors may be used in this process. Directors appointed by the Board must stand for re-election at the next meeting of shareholders.

There are no maximum terms set for non-executive Director appointments. The Board does not set arbitrary limits on the tenure of non-executive Directors. Instead, the tenure of Directors is dependent on their ability to meet performance criteria with performance being formally reviewed on an annual basis.

The Company's Election of Directors Policy is posted on the Company's website.

### **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 Chief Executive Officer, if also a Director, is not subject to retirement by rotation and is not to be taken into account in determining the rotation of retirement of Directors.

### **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.

If the contribution of a non-executive Director appears to a majority of Directors to be less than adequate or to be harmful to the good working of the Board, they may request 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.

### **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.

## CORPORATE GOVERNANCE (continued)

### **Principle 3: Companies should actively promote ethical and responsible decision making**

#### **Interest of Stakeholders**

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 code of conduct section of this statement, 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.

#### **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.

#### **Diversity**

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 (26 Board members and staff at the date of this report) the Board feels that it is not appropriate to have objectives on diversity that stand alone. Rather, the Board, recognising the positive benefits for the organisation of increased diversity, especially gender, has sought to integrate diversity objectives within the existing policies and procedures of the Company.

Since the inception of the Company the Board 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.

At the date of this report the Company has a total staff excluding Board members of 22 employees of which 23% (5 employees) are women. The senior executive team is made up of 6 managers including one female. At this time there are no women on the Board which comprises 4 members.

#### **Share Trading Policy**

The Company's Director and Employee Share Trading Policy 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 carry this policy through.

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.

## CORPORATE GOVERNANCE (continued)

### **Principle 4: Companies should have a structure to independently verify and safeguard the integrity of their financial reporting**

#### **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 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 T Moyle (Chairman)
- Mr J Bee

Details of the qualifications, experience and attendance at Committee meetings by each Committee Member is included in the Directors 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 only four Board members. The Board has appointed two Independent Directors to make up the Committee. The Board considers these two to be independent of management in terms of the ASX Corporate Governance Council's definition of independent Directors in that they do not have any business interest or other relationship that could materially interfere with the exercise of their judgment and ability to act in the best interests of the Company. The most financially qualified of the two Directors, Mr T Moyle, who is Chairman of the Board, has been appointed Chairman of the Committee. The Board considers that such a two member Committee can properly and efficiently discharge its responsibilities given the small size of the Company.

The 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 programme, including directors' and officers' professional indemnity and other liability insurance cover;
- undertakes any special investigations required by the Board.

The 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 fourth 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 three times during the course of the financial year ended 30 June 2014.

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.

## CORPORATE GOVERNANCE (continued)

### Auditor independence

Best practice in financial and audit governance is evolving rapidly 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 rise to a conflict.

### **Principle 5: Companies should promote timely and balanced disclosure of all material matters concerning the company**

#### Communication with Shareholders

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 Annual Report and other communications as required. 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.

The guiding principle of the 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.

The Company's Policy in regard to materiality disclosure and continuous disclosure is available on the Company's website.

### **Principle 6: Companies should respect the rights of shareholders and facilitate the exercise of those rights**

The Company ensures that shareholders are informed of all major developments affecting the Group immediately by 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) and it is available on the Company's website.

#### 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 extensive presentation by the CEO which is also released as an ASX announcement for shareholders who cannot attend the meeting.

#### Website

The Company has established a corporate website and is continuously upgrading the appearance and content of the website so that investors and others can be fully informed with the latest information on the Group's activities, press releases and ASX announcements.

The Company's shareholder communication strategy is posted on the Company's website.

### **Principle 7: Companies should establish a sound system of risk oversight and management and internal control**

#### Risk Management

Due to the importance of this function, 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.



## CORPORATE GOVERNANCE (continued)

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 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 etc), 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 Group and the Managing Director has ultimate responsibility to the Board for risk management and control.

Areas of significant business risk to the Group are detailed in the Business Plan presented to the Board by the Managing Director at the start of each 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 Managing Director and CFO.

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 management include:

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

The Board has adopted reporting procedures which allow it:

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

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

### Financial Reporting

The Board receives regular reports about the financial condition and operational results of the Company and its controlled entities. The Managing Director 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 Managing Director and the CFO provide formal statements to the Board in accordance with Section 295A of the Corporations Act 2001 at each reporting date that, 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.

**Principle 8: Listed entities should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear**

### Remuneration

The Board considers that, due to its small size, 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



## CORPORATE GOVERNANCE (continued)

- senior executives remuneration and incentives
- superannuation arrangements
- remuneration framework for Directors
- remuneration by gender.

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.

### *Long-Term Incentives*

The Company has a share option scheme in which senior executives may participate. The Share Option Incentive Plan was approved by shareholders on 25 November 2011 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.

### *Other Benefits*

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

### *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.

The Company's Remuneration Policy is available on the Company's website.

## **Website Information**

The Company has established a website at [www.worldreach.com.au](http://www.worldreach.com.au) Information lodged on this website in a specific corporate governance section includes:

- Board Charter
- Audit Committee Charter
- Risk Management Policy
- Materiality Disclosure Policy
- Remuneration Policy
- Election of Directors Policy
- Whistle Blower Policy
- Share Trading Policy
- CEO and CFO Declarations
- Continuous Disclosure Policy
- Shareholder Communication
- Code of Conduct
- Audit Independence Charter

The ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations can be viewed on the ASX website: [www.asx.com.au](http://www.asx.com.au).

**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 2014**

	Note	Year ended	
		30 June 2014	30 June 2013
		\$	\$
Revenue	2(a)	12,630,372	14,073,087
Changes in inventories of raw materials, finished goods and work in progress		810,431	(1,241,624)
Raw materials, consumables and other costs of sale	2(b)	(8,053,701)	(8,362,596)
Employee benefits expense		(1,965,771)	(1,993,141)
Depreciation expense	7(a)	(75,575)	(79,045)
Amortisation expense	8(a)	(695,243)	(971,861)
Finance costs expense	2(c)	(636,292)	(656,927)
Auditor remuneration expense	18	(69,996)	(100,004)
Accounting, share registry and secretarial expense		(71,653)	(84,475)
Consultancy and contractor expense		(256,238)	(331,413)
Legal, insurance and patent expense		(169,966)	(147,122)
Other expenses	2(d)	(1,006,919)	(940,169)
Profit (Loss) before income tax		439,449	(835,290)
Income tax expense / (benefit)	3(a)	-	-
<b>Profit for the year</b>		<b>439,449</b>	<b>(835,290)</b>
Other comprehensive income		-	-
<b>Total profit/(loss) and other comprehensive income for the year</b>		<b>439,449</b>	<b>(835,290)</b>
Loss and total comprehensive income are both fully attributable to owners of the Company			
Basic earnings per share (cents)	20	3.45	(7.13)
Diluted earnings per share (cents)	20	3.15	(7.13)

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 2014**

	Note	30 June 2014 \$	30 June 2013 \$
<b>Current assets</b>			
Cash and cash equivalents	4	229,592	1,322,921
Inventories	5	3,211,234	2,400,803
Trade and other receivables	6	2,694,482	2,136,915
<b>Total current assets</b>		<u>6,135,308</u>	<u>5,860,639</u>
<b>Non-current assets</b>			
Plant and equipment	7	98,964	156,381
Intangible assets	8	2,913,033	1,702,883
<b>Total non-current assets</b>		<u>3,011,997</u>	<u>1,859,264</u>
<b>Total assets</b>		<u>9,147,305</u>	<u>7,719,903</u>
<b>Current liabilities</b>			
Trade and other payables	9	4,216,348	3,086,122
Other financial liabilities	10	773,045	1,403,647
Short-term provisions	11	729,849	367,092
<b>Total current liabilities</b>		<u>5,719,242</u>	<u>4,856,861</u>
<b>Non-current liabilities</b>			
Other financial liabilities	10	2,586,157	3,123,064
Long-term provisions	11	29,630	34,719
<b>Total non-current liabilities</b>		<u>2,615,787</u>	<u>3,157,783</u>
<b>Total liabilities</b>		<u>8,335,029</u>	<u>8,014,644</u>
<b>Net assets / (deficiency of net assets)</b>		<u>812,276</u>	<u>(294,741)</u>
<b>Equity</b>			
Issued capital	12	1,769,355	1,377,091
Reserves		697,630	762,040
Accumulated losses		<u>(1,654,710)</u>	<u>(2,433,872)</u>
<b>Total equity</b>		<u>812,276</u>	<u>(294,741)</u>

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 2014**

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2012	1,327,091	777,243	(1,839,282)	265,052
Total loss and comprehensive income for the year	-	-	(835,290)	(835,290)
Transactions with owners in their capacity as owners and other transfers:				
- Remuneration based option payments	-	40,917	-	40,917
- Adjustment for employee share options lapsed	-	(240,700)	240,700	-
- Convertible note options issued	-	184,580	-	184,580
- Contributions of equity, net of transaction costs	50,000	-	-	50,000
<b>Balance at 30 June 2013</b>	<b>1,377,091</b>	<b>762,040</b>	<b>(2,433,872)</b>	<b>(294,741)</b>
Balance at 1 July 2013	1,377,091	762,040	(2,433,872)	(294,741)
Total loss and comprehensive income for the year	-	-	439,449	439,449
Transactions with owners in their capacity as owners				
- Shares issued, net of transaction costs	392,264	-	-	392,264
- Convertible note options issued	-	228,174	-	228,174
- Convertible note options lapsed	-	(322,783)	322,783	-
- Remuneration based option payments	-	47,129	-	47,129
- Adjustment for employee share options lapsed	-	(16,930)	16,930	-
<b>Balance at 30 June 2014</b>	<b>1,769,355</b>	<b>697,630</b>	<b>(1,654,710)</b>	<b>812,276</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 2014**

	Year ended	
	30 June 2014	30 June 2013
Note	\$	\$
<b>Cash flow from operating activities</b>		
Receipts from customers	12,981,571	14,669,070
Payments to suppliers and employees	(11,549,288)	(12,788,886)
Interest received	6,028	19,234
Interest and finance charges paid	(433,274)	(367,573)
Export market development grant receipts	92,493	158,752
<b>Net cash provided by / (used in) operating activities</b>	<b>15(a) 1,097,530</b>	<b>1,690,596</b>
<b>Cash flow from investing activities</b>		
Purchases of plant and equipment	7(a) (26,579)	(17,824)
Proceeds from sale of plant & equipment	500	-
Development costs capitalised	8(a) (1,905,393)	(965,604)
Research and development grant	471,396	-
<b>Net cash used in investing activities</b>	<b>(1,460,076)</b>	<b>(983,428)</b>
<b>Cash flow from financing activities</b>		
Proceeds - convertible notes	(75,000)	650,000
Net loan payments	(447,930)	(704,854)
Proceeds on share purchase plan / share placement	392,264	50,000
<b>Net cash provided by / (used in) financing activities</b>	<b>(130,666)</b>	<b>(4,855)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(493,213)</b>	<b>702,313</b>
Cash and cash equivalents at beginning of year	447,805	(254,508)
<b>Cash and cash equivalents at end of financial year</b>	<b>15(b) (45,408)</b>	<b>447,805</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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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 the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and 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.

**(ii) Going concern**

The Financial Report has been prepared on a going concern basis which assumes that the Group will be able to generate sufficient positive cash flows to meet its financial obligations, realise its assets and extinguish its liabilities in the normal course of business.

The trading results for the year ended 30 June 2014 and the financial position of the Group at that date are summarised as follows:

	30 June 2014	30 June 2013
	\$	\$
Revenue	12,630,372	14,073,087
EBITDA	1,846,559	872,543
Profit/(Loss) for the year	439,449	(835,290)
Cash generated / (used in) operating activities	1,097,529	1,690,596
Net assets / (deficiency)	812,276	(294,741)
Net current assets	416,066	1,003,778

The adoption of the going concern basis for the preparation of the Financial Report has been made after consideration of the following matters:

- On 28 July 2014 the Group completed a renounceable rights issue which raised \$2.4M in capital funds. During this process and afterwards some convertible note holders either converted to shares or advised the Group that they intended to convert. The renounceable rights funds will be sufficient to repay the majority of the Groups interest bearing debt. This includes repaying the remaining convertible notes not converted by 22 August 2014 valued at \$500,000 (repaid on 26 August 2014), repaying a shareholder loan of \$300,000 (which occurred on 27 August 2014) and the bank term loan of \$275,000 (submission made for repayment at the expiry of the current monthly term on 30 August 2014), as well as the balance of extended credit of US\$600,000 provided by creditors to part fund the recently completed major development project. At 29 August 2014 all convertible notes have either been converted to shares or redeemed, such that no notes remain on issue by the Company. Further details of the rights issue and debt repayments are included in Note 25 'Subsequent Events'.
- The Group secured a capital injection on 24 February 2014 of \$438,000 from Ample Skill Limited, a Hong Kong based private investor, to provide additional working capital to support planned growth of business activities.
- The Group is forecasting growth in its trading operations for the 30 June 2015 financial year with an improvement in sales and profitability and achievement of positive operating cash flows. The trading forecasts include significant additional sales from:
  - The sale of new products from the recently completed major development project. Sales began in June 2014 with a contracted minimum level of sales for the first twelve months of US\$3M.
  - The emerging performances of SatPhone Shop and Short Burst Data airtime services sold in Australia expected to contribute \$2.0M to revenue for the 2015 financial year.
- The Group has current banking arrangements which provide for overdraft facilities of \$640,000 and guarantee facilities of \$150,000. Continuation of these arrangements is subject to the Group satisfying specific covenants. Whilst the Group did not meet the revenue covenant, it did meet all others during the 30 June 2014 financial year. The bank advised the Group after the quarter ended 30 June that it would not waive or give up its rights however it would not be taking action at this time. On 27 August 2014, the bank confirmed banking facilities as continuing. The Group expects to satisfy future covenants ensuring continuance of on-going banking facilities.

Whilst achievement of positive cash flows, continuation of current banking facilities and the continuing support of creditors and financiers are expected, future events by their nature are uncertain, the Group believes that there is currently sufficient flexibility within its cash resources so as not to cast doubt about the Group's ability to continue as a going concern.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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

**(iii) 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 (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 23.

**(b) Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by balance date.

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. Due to the consolidated group's continued tax losses, the consolidated group has not recognised deferred tax assets as at 30 June 2014. Refer Note 3(c). 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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

**(iii) Accounting policies (continued)**

**(c) Plant & equipment (continued)**

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 as follows for both 2013 and 2014.

Office furniture and equipment	10%
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) Product development**

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 prior to the development phase of a 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. Older products have been assessed at 3 years giving a 33% amortisation rate during 2014. The major product completed in June 2014 was assessed at a minimum 2 years giving a 50% amortisation rate.

**(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.

*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.

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 13 for a detailed review of the group's financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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

**(iii) Accounting policies (continued)**

**(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. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

**(j) Revenue recognition**

Revenue from the sale of goods and services is recognised 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.

**(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.

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, except where deferred in equity as a qualifying cash flow or net investment hedge.

**(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.

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

**(iii) Accounting policies (continued)**

**(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).

**(p) New accounting standards and interpretations**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current year.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements';
- AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards';
- AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)';
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle';
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'.

**(q) New accounting standards for application in future periods**

The Directors have reviewed the AASB future pronouncements and do not believe any will have a material impact on the affairs or the financial statements of World Reach Limited and their controlled entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>2 Loss before income tax</b>		
(a) Revenue from continuing operations		
<i>Sales revenue</i>		
- Equipment sales	12,430,821	13,826,274
- Equipment hire	-	10,118
- Other	41,848	52,092
	<u>12,472,669</u>	<u>13,888,484</u>
<i>Other income</i>		
- Interest	6,028	19,234
- Other realised and unrealised foreign currency net gain	39,540	6,617
- Export market development grant	92,493	158,752
- Research and Development grant	19,642	-
	<u>157,702</u>	<u>184,603</u>
	<u>12,630,372</u>	<u>14,073,087</u>
(b) Cost of sales		
Opening inventories	2,400,803	3,642,427
Add: Purchases and other stock adjustments	8,053,701	8,362,596
	<u>10,454,504</u>	<u>12,005,023</u>
Closing inventories (Note 5)	(3,211,234)	(2,400,803)
	<u>7,243,270</u>	<u>9,604,220</u>
(c) Finance costs expense		
Interest expense on financial liabilities	636,292	656,927
(d) Other expenses include:		
- Unrealised foreign currency exchange loss on foreign currency secured advances	-	132,038
- Product development costs expensed	152,354	205,948
- Operating lease payments	234,371	195,063
<b>3 Income tax</b>		
(a) The components of tax expense / (benefit) comprise:		
Current tax		
- Current tax expense (refer 3b below)	-	-
- Current movement in net deferred tax assets	(223,495)	41,341
- Net deferred tax assets not brought to account	223,495	-
- Utilisation of deferred tax amount from prior year tax losses not taken up	-	(41,341)
	<u>-</u>	<u>-</u>
Income tax expense / (benefit) t'ferred to statement of profit or loss and other comprehensive income	<u>-</u>	<u>-</u>
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the current income tax benefit as follows:		
Profit from ordinary activities	439,449	(835,290)
Prima facie income tax benefit on loss from ordinary activities at 30% (2013: 30%)	131,835	(250,587)
Add / (Less):		
Tax effect of:		
- Temporary difference deferred tax assets not taken up	(172,342)	170,976
- Tax loss deferred tax asset not taken up	40,507	79,611
	<u>-</u>	<u>-</u>
Income tax expense attributable to the Consolidated Group	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

**3 Income tax (continued)**

- (c) Net deferred tax assets of \$5,431,151 (2013: \$5,614,139) have not been recognised at 30 June 2014. This consists of amounts relating to carried forward losses of \$5,957,519 (2013: \$5,917,012) and temporary differences of \$(526,368) (2013: \$(302,873)).

In the directors opinion there are reasonable grounds to expect sufficient future profitability so as to realise the value of deferred tax assets. However due to previous trading performances and the amount of the accumulated losses for tax purposes, it is considered conservative and prudent not to recognise deferred tax assets at this time.

The amount of 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) There are no franking credits available to equity holders.

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>4 Cash and cash equivalents</b>		
Cash at bank and in hand	229,592	1,322,921

**5 Inventories**

At cost:		
Raw materials	864,765	1,212,302
Work In Progress	-	70,322
Finished Goods	2,346,469	1,118,179
	<u>3,211,234</u>	<u>2,400,803</u>

**6 Trade and other receivables**

**(a) Current**

Trade receivables	2,495,589	1,931,975
Provision for doubtful debts	(56,000)	-
Other receivables and prepayments	163,774	122,944
Rental security deposit	91,119	81,996
	<u>2,694,482</u>	<u>2,136,915</u>

**(b) Ageing reconciliation**

	Gross amount	Within trade terms	Past due but not impaired (days overdue)			Past due & impaired
			31 - 60	61 - 90	90+	
<b>2014</b>						
<u>Current</u>						
Trade receivables	2,495,589	2,140,750	275,293	3,534	20,012	-
Other receivables	163,774	163,774	-	-	-	-
Rental security deposit	91,119	91,119	-	-	-	-
<b>2013</b>						
<u>Current</u>						
Trade receivables	1,931,975	1,007,220	686,040	54,858	183,857	-
Other receivables	122,944	122,944	-	-	-	-
Rental security deposit	81,996	81,996	-	-	-	-

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>7 Plant and equipment</b>		
Office furniture and equipment - at cost	404,049	395,011
Less: Accumulated depreciation and impairment	(323,237)	(262,176)
	<u>80,812</u>	<u>132,835</u>
Computer and test equipment - at cost	219,083	201,652
Less: Accumulated depreciation and impairment	(200,931)	(186,528)
	<u>18,152</u>	<u>15,124</u>
Rental equipment - at cost	216,212	216,212
Less: Accumulated depreciation and impairment	(216,212)	(207,790)
	<u>-</u>	<u>8,422</u>
Total plant and equipment	<u>98,964</u>	<u>156,381</u>

**(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 2012	181,545	25,264	10,793	217,602
Additions	11,428	6,396	-	17,824
Disposals	-	-	-	-
Depreciation expense	(60,138)	(16,536)	(2,371)	(79,045)
Balance at 30 June 2013	<u>132,835</u>	<u>15,124</u>	<u>8,422</u>	<u>156,381</u>
Additions	9,148	17,431	-	26,579
Disposals	-	-	(8,422)	(8,422)
Depreciation expense	(61,172)	(14,403)	-	(75,575)
Balance at 30 June 2014	<u>80,811</u>	<u>18,152</u>	<u>-</u>	<u>98,963</u>

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>8 Intangible assets</b>		
Development costs capitalised - at cost	5,779,717	3,874,324
Accumulated amortisation and impairment	(2,866,684)	(2,171,441)
	<u>2,913,033</u>	<u>1,702,883</u>

**(a) Movements in carrying amounts**

Balance at the beginning of the year	1,702,883	1,709,140
Additional costs capitalised	1,905,393	965,604
Amortisation expense	(695,243)	(971,861)
Balance at the end of the year	<u>2,913,033</u>	<u>1,702,883</u>

**9 Trade and other payables**

**Current**

Trade payables and accruals	3,603,229	3,063,615
Deferred income	613,120	22,507
	<u>4,216,348</u>	<u>3,086,122</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

	<b>Year ended</b>	
	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
<b>10 Other financial liabilities</b>		
<b>Current</b>		
Bank overdraft - secured	275,000	875,116
Secured advances under contract	482,438	450,360
Unsecured other loans	15,607	3,171
Secured convertible notes	-	75,000
	<u>773,045</u>	<u>1,403,647</u>
<b>Non Current</b>		
Secured convertible notes	1,438,696	1,509,975
Secured advances under contract	403,731	915,482
Unsecured convertible notes	443,730	397,607
Unsecured other loans	300,000	300,000
	<u>2,586,157</u>	<u>3,123,064</u>

**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.

**Secured advances under contract**

At balance date the Company had secured advances under a contract with Inmarsat PLC to develop and manufacture products compatible with the Inmarsat hand held satellite phone. Advances are secured by a charge over the Intellectual Property developed under the agreement, are non-interest bearing and are repaid as a percentage of product sale proceeds. During the current year the Company repaid \$457,270 excluding realised and unrealised exchange differences.

**Secured convertible notes**

At 30 June 2014 secured convertible notes with a face value of \$1,675,000 were outstanding on the following terms:

		Face Value	Maturity	Conv. Price
- Secured convertible notes - New issue	(a)	\$650,000	Jan 2016	\$0.12
- Secured convertible notes - Notes with maturity date extension	(b)	\$1,025,000	Jul 2015	\$0.12
- Interest rate		8%		
- Potential ordinary shares on conversion		13,958,333		

Secured by a second ranking fixed and floating charge over all the assets of the parent company.

- (a) On 24 February 2014 the company completed a placement of ordinary shares at a price of \$0.15 per share. Under the terms of the Convertible Note Deed the conversion price of all previously issued convertible notes was adjusted to 80% of the price at which these new shares were issued, which is \$0.12.
- (b) During August 2012 the company negotiated the extension of the maturity date with note holders holding notes with a total face value of \$1,025,000 to July 2015.

Note holders were issued with 435,000 options to subscribe for shares in the Company at various exercise prices.

**Unsecured convertible notes**

At 30 June 2014 unsecured convertible notes with a face value of \$500,000 were outstanding on the following terms:

	Face Value	Maturity	Conv. Price
- Unsecured convertible notes	\$500,000	July 2015	\$0.12
- Interest rate	8%		
- Potential ordinary shares on conversion	4,166,667		

On 24 February 2014 the company completed a placement of ordinary shares at a price of \$0.15 per share. Under the terms of the Convertible Note Deed the conversion price of all previously issued convertible notes was adjusted to 80% of the price at which these new shares were issued, which is \$0.12.

Note holders were issued with 178,572 options to subscribe for shares in the Company at a price of \$0.70 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2014

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>11 Provisions</b>		
<b>Current</b>		
Employee benefits	649,849	347,092
Warranty costs	80,000	20,000
	<u>729,849</u>	<u>367,092</u>
<b>Non current</b>		
Employee benefits	<u>29,630</u>	<u>34,719</u>

(a) Movements in provisions for the year ended 30 June 2014

	Employee benefits	Warranty costs	Total
Balance at the beginning of the year	381,811	20,000	401,811
Additional provisions	484,408	90,228	574,636
Amounts used	(186,740)	(30,228)	(216,968)
Balance at the end of the year	<u>679,479</u>	<u>80,000</u>	<u>759,479</u>

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>12 Issued capital</b>		
Issued and paid up capital:		
Ordinary fully paid shares	<u>1,769,355</u>	<u>1,377,091</u>

The Company has 14,631,797 ordinary shares on issue at 30 June 2014 (2013: 11,711,797).

During the year the company raised additional funds for working capital purposes through a placement of shares as reported to the market via the Australian Securities Exchange.

	Number of shares	\$
Balance at 30 June 2012	1,146,171,062	1,327,091
- Share consolidation 100:1	(1,134,709,265)	-
- Share purchase plan for existing shareholders	250,000	50,000
Balance at 30 June 2013	<u>11,711,797</u>	<u>1,377,091</u>
- Shares issued (net of costs)	<u>2,920,000</u>	<u>392,264</u>
Balance at 30 June 2014	<u>14,631,797</u>	<u>1,769,355</u>

(a) Options over issued capital

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2014 is 2,135,572 (2013: 1,956,072), of which 262,000 (2013: 342,500) were issued to employees under the Company's Share Option Incentive Plan and 1,000,000 (2013: 1,000,000) were issued to directors following shareholder approval. Refer Note 17: Share Based Payments for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

The balance of 873,572 (2013: 613,572) options outstanding were issued to investors in addition to subscriptions for convertible notes.

Under the terms of the Convertible Note Subscription Agreement for notes issued on 6 February 2013, the note holder was issued with 260,000 options to subscribe for shares in the Company on 18 December 2013 at an exercise price of \$0.30.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

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**12 Issued capital (continued)**

**(a) Options over issued capital (continued)**

On 24 February 2014 the Company completed an issue of shares via a placement to the value of \$438,000 at a price of \$0.15 per share. Under the terms of the placement agreement, 973,333 options to subscribe for shares in the Company at an exercise price of \$0.185 can, in the future be issued, provided the shareholder complies with ASX Listing Rules in relation to a relevant interest in the Company of greater than 20%. The

**(b) Convertible notes**

The total number of potential ordinary shares attributable to secured and unsecured convertible notes outstanding at 30 June 2014 is 18,125,000 (2013: 10,600,000). Refer Note 10 for details.

**(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 2014 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, and convertible note issues.

**13 Financial instruments**

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

- cash assets;
- receivables;
- payables;
- deposits;
- borrowings, including loans and convertible notes.

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 - The funding is provided by the Consolidated Group's bankers 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.
- Payables where a major supplier provided an extended credit arrangement at an interest rate of 9%. Agreed repayments were geared to particular sales of products associated with the goods supplied on extended credit.
- Convertible Notes issued at an interest rate of the higher of 8% or 90 day dealer's rate plus 3%, which exposes the Consolidated Group to interest rate risk on future payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

13 Financial instruments (continued)

(a) Interest rate risk management (continued)

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:

	Floating Interest	Fixed Interest	Weighted Average Interest Rate	Non-Interest bearing	TOTAL
<b>2014</b>					
<u>Financial asset</u>					
Cash assets	229,592	-	0.02%	-	229,592
Receivables	-	-		2,694,482	2,694,482
<b>TOTAL</b>	<b>229,592</b>	<b>-</b>		<b>2,694,482</b>	<b>2,924,074</b>
<u>Financial liability</u>					
Payables	-	1,020,222	9.00%	3,196,126	4,216,348
Convertible notes	1,882,426	-	8.00%	-	1,882,426
Bank overdraft/term loan	275,000	-	9.10%	-	275,000
Sec'd advances under contract	-	-		886,169	886,169
Unsecured other loans	15,607	300,000	14.53%	-	315,607
<b>TOTAL</b>	<b>2,173,033</b>	<b>1,320,222</b>		<b>4,082,295</b>	<b>7,575,550</b>
<b>2013</b>					
<u>Financial asset</u>					
Cash assets	1,322,921	-	1.23%	-	1,322,921
Receivables	-	-		2,136,915	2,136,915
<b>TOTAL</b>	<b>1,322,921</b>	<b>-</b>		<b>2,136,915</b>	<b>3,459,836</b>
<u>Financial liability</u>					
Payables	-	-		3,086,122	3,086,122
Convertible notes	1,982,582	-	8.00%	-	1,982,582
Bank Overdraft	875,116	-	10.07%	-	875,116
Sec'd advances under contract	-	-		1,365,842	1,365,842
Unsecured other loans	3,171	300,000	14.90%	-	303,171
<b>TOTAL</b>	<b>2,860,869</b>	<b>300,000</b>		<b>4,451,964</b>	<b>7,612,833</b>

(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, payable and loan transactions in foreign currency, primarily in US Dollars. The Group's foreign currency exchange risk arises from the holding of foreign currency deposits, loans and transactions in normal trading operations resulting in both trade receivables and loans 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 impact on profit and equity due to movements in unrealised foreign currency exchange gain on foreign currency secured advances are as follows:

	Foreign currency movement	Year ended	
		30 June 2014	30 June 2013
		\$	\$
Impact on profit after tax	+/- 10%	+128,956	+/- 126,682
Impact on equity	+/- 10%	+128,956	+/- 126,682

Due to the remaining foreign currency payable and receivable balances offsetting, a movement in the rates used to determine values at reporting date would not have a material impact on profit and therefore no further sensitivity analysis has been provided.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2014

13 Financial instruments (continued)

(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:

	<u>&lt; 1 Year</u>	<u>1 - 5 Years</u>	<u>Total contractual cash flows</u>	<u>Carrying amount</u>
<b>2014</b>				
<u>Asset class</u>				
Cash and cash equivalents	229,592	-	229,592	229,592
Receivables	2,659,363	91,119	2,750,482	2,750,482
Payables	(4,216,348)	-	(4,216,348)	(4,216,348)
Other financial liabilities including contractual interest	(992,045)	(2,586,157)	(3,578,202)	(3,359,202)
Net maturities	<u>(2,319,438)</u>	<u>(2,495,038)</u>	<u>(4,814,476)</u>	<u>(4,595,476)</u>
<b>2013</b>				
<u>Asset class</u>				
Cash and cash equivalents	1,322,921	-	1,322,921	1,322,921
Receivables	2,054,919	81,996	2,136,915	2,136,915
Payables	(3,086,122)	-	(3,086,122)	(3,086,122)
Other financial liabilities including contractual interest	(1,622,646)	(3,342,064)	(4,964,711)	(4,526,711)
Net maturities	<u>(1,330,928)</u>	<u>(3,527,486)</u>	<u>(4,858,414)</u>	<u>(4,152,997)</u>

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2014

Year ended	
30 June 2014	30 June 2013
\$	\$

**14 Commitments and contingencies**

**Operating lease commitments**

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	77,986	154,878
Later than one year but not later than five years	-	77,986
Later than five years	-	-
	<u>77,986</u>	<u>232,864</u>

The Consolidated Group and parent entity renegotiated a 5 year non-cancellable commercial rental property lease at Mulgrave in December 2009. The new lease expires in December 2014. There is an option to renew the lease for a further 5 year period but no commitment has been entered into at this date.

**Capital expenditure commitments**

Capital expenditure projects

Not longer than 1 year	86,000	464,150
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>86,000</u>	<u>464,150</u>

Capital commitments relate to product development projects being undertaken by World Reach Limited's subsidiary Beam Communications Pty Ltd. As at this date only minor projects have capital expenditure commitments.

**Superannuation commitments**

World Reach Ltd 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>15 Notes to the statement of cash flows</b>		
<b>(a) Reconciliation of loss after income tax benefit to net cash flow from operating activities</b>		
Profit after tax	439,449	(835,290)
<i>Non Cash flows in profit:</i>		
Depreciation	75,575	79,045
Amortisation	695,243	971,861
Net profit on disposal of plant and equipment	(500)	-
Convertible note finance expense	203,018	234,717
Unrealised foreign currency net losses / (gains)	(19,307)	132,017
Remuneration options expense	-	40,916
Share options expensed	47,130	-
Doubtful debt expense	56,000	-
<i>Changes in assets and liabilities:</i>		
Increase in trade and other payables	667,252	314,814
Increase in employee provisions	297,668	13,632
(Increase) in trade and other receivables	(613,567)	(502,740)
(Increase) / Decrease in inventory	(810,431)	1,241,624
Increase in provision for warranty costs	60,000	-
<b>Net cash from operating activities</b>	<b>1,097,530</b>	<b>1,690,596</b>
<b>(b) Reconciliation of cash</b>		
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)	229,592	1,322,921
Bank overdraft/loan (Note 10)	(275,000)	(875,116)
	<u>(45,408)</u>	<u>447,805</u>
<b>(c) Non cash operating, financing and investing activities</b>		
Non cash operating, financing and investing activities undertaken by the Consolidated Group during the year are disclosed in Note 17.		
<b>(d) Facilities</b>		
In October 2013 new facilities were negotiated with the National Australia Bank for the Consolidated Group. In place of an overdraft facility with a limit of \$1,000,000, the Group arranged the following facilities:		
- an Australian dollar overdraft with a limit of \$300,000. The overdraft was not utilised at 30 June 2014.		
- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 30 June 2014.		
- a term loan in Australian dollars of \$300,000 with monthly repayments of \$12,500 which began in May 2014. The balance of the loan at 30 June 2014 was \$275,000		
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 2014.		
The Consolidated Group's banking facilities are subject to the Group satisfying quarterly covenants set by the bank. The Group did not meet the revenue covenant which requires cumulative actual performance to be within 20% of forecast KPIs in each quarter of the last 3 quarters of the 30 June 2014 financial year. After the December 2013, March 2014 and June 2014 quarters the bank advised the Group that it would not waive or give up its rights however it would not be taking action at this time. Taking all factors into account, the bank reconfirmed similar banking facilities as continuing on 27 August 2014.		



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>16 Key management personnel disclosures</b>		
<b>(a) Compensation by category</b>		
Short-term employee benefits	717,588	584,783
Post-employee benefits	47,765	45,950
Other long-term benefits	11,282	7,730
Termination benefits	-	-
Share-based payments	47,130	40,917
	<u>823,765</u>	<u>679,380</u>

**(b) 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.

2014	Balance 1.07.13	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.14	Total Vested 30.06.14	Exer- cisable 30.06.14	Unexer- cisable 30.06.14
<b>Directors</b>									
T Moyle	200,000	-	-	-	-	200,000	-	-	200,000
M Capocchi	705,000	-	-	-	-	705,000	105,000	105,000	600,000
J Bee	200,000	-	-	-	-	200,000	-	-	200,000
C Hung	-	-	260,000	-	-	260,000	260,000	260,000	-
<b>Other</b>									
D Payne	77,500	-	-	-	(15,000)	62,500	62,500	62,500	-
<b>Total</b>	<u>1,182,500</u>	<u>-</u>	<u>260,000</u>	<u>-</u>	<u>(15,000)</u>	<u>1,427,500</u>	<u>427,500</u>	<u>427,500</u>	<u>1,000,000</u>

2013	Balance 1.07.12	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.13	Total Vested 30.06.13	Exer- cisable 30.06.13	Unexer- cisable 30.06.13
<b>Directors</b>									
T Moyle	-	200,000	-	-	-	200,000	-	-	200,000
M Capocchi	511,875	600,000	-	-	(406,875)	705,000	105,000	105,000	600,000
J Bee	-	200,000	-	-	-	200,000	-	-	200,000
C Hung	-	-	-	-	-	-	-	-	-
<b>Other</b>									
D Payne	84,063	-	-	-	(6,563)	77,500	77,500	77,500	-
<b>Total</b>	<u>595,938</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>(413,438)</u>	<u>1,182,500</u>	<u>182,500</u>	<u>182,500</u>	<u>1,000,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

16 Key management personnel disclosures (continued)

(c) 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.

2014	Balance 1.07.13	Received as Remuneration	Options Exercised	Net Change Other [a]	Balance 30.06.14
<b>Directors</b>					
Mr T Moyle	-	-	-	-	-
Mr M Capocchi	75,228	-	-	-	75,228
Mr J Bee	720,000	-	-	-	720,000
Mr C Hung	-	-	-	-	-
<b>Other</b>					
Mr D Payne	120,237	-	-	-	120,237
	<b>915,465</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>915,465</b>
<b>2013</b>	<b>Balance 1.07.12</b>	<b>Received as Remuneration</b>	<b>Options Exercised</b>	<b>Net Change Other [a]</b>	<b>Balance 30.06.13</b>
<b>Directors</b>					
Mr T Moyle	-	-	-	-	-
Mr M Capocchi	75,228	-	-	-	75,228
Mr J Bee	720,000	-	-	-	720,000
Mr C Hung	-	-	-	-	-
<b>Other</b>					
Mr D Payne	100,237	-	-	20,000	120,237
	<b>895,465</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>915,465</b>

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

(d) Convertible notes

The number of convertible notes issued during the financial year to each key management person including their personally related parties is set out below.

2014	Balance 1.07.13	Notes issued		Notes Sold or Matured	Balance 30.06.14	
	No.	No.	Total Face Value \$		No.	Total Face Value \$
<b>Directors</b>						
Mr T Moyle	-	-	-	-	-	-
Mr M Capocchi	14	-	-	-	14	350,000
Mr J Bee	-	-	-	-	-	-
Mr C Hung	26	-	-	-	26	650,000
<b>Other</b>						
Mr D Payne	2	-	-	1	1	25,000
	<b>42</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>41</b>	<b>1,025,000</b>
<b>2013</b>	<b>Balance 1.07.12</b>	<b>Notes issued</b>		<b>Notes Sold or Matured</b>	<b>Balance 30.06.13</b>	
	No.	No.	Total Face Value \$		No.	Total Face Value \$
<b>Directors</b>						
Mr T Moyle	-	-	-	-	-	-
Mr M Capocchi	14	-	-	-	14	350,000
Mr J Bee	-	-	-	-	-	-
Mr C Hung	-	26	650,000	-	26	650,000
<b>Other</b>						
Mr D Payne	2	-	-	-	2	50,000
	<b>16</b>	<b>26</b>	<b>650,000</b>	<b>-</b>	<b>42</b>	<b>1,050,000</b>

Refer Note 10 - Secured convertible notes for details of the Convertible Note Agreement.

(e) Loans and transactions

Mr C Hung is a director of the company, and is also the President of the Season Group. During the year ended 30 June 2014 the company subcontracted manufacturing on an arms length basis to the Season Group, in accordance with a contract signed prior to his appointment as director. Transactions between the company and the Season Group are on normal commercial terms and conditions no more favourable than those available to other parties. (Refer Note 19)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

**17 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 2014:

(i) 124,500 options were granted on 30 September 2009 to key employees with an expiry date of 30 September 2014 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 September 2009 at \$0.65 per share (Issue WRR46).

10,000 of these options lapsed or were cancelled in the periods prior to 30 June 2014.

114,500 of these options are outstanding as at 30 June 2014.

(ii) 75,000 options were granted on 1 January 2011 to key employees with an expiry date of 1 January 2016 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 1 January 2011 at \$0.65 per share (Issue WRR48).

2,500 of these options lapsed or were cancelled in the periods prior to 30 June 2014.

72,500 of these options are outstanding as at 30 June 2014.

(iii) 75,000 options were granted on 1 February 2012 to key employees with an expiry date of 1 February 2017 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 1 February 2012 at \$0.45 per share (Issue WRR49).

75,000 of these options are outstanding as at 30 June 2014.

(iv) 800,000 options were granted on 26 July 2012 to directors with an expiry date of 1 July 2017 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in one-third portions on 1 July in each of 2014, 2015 and 2016 at \$0.65 per share (Issue WRR51).

800,000 of these options are outstanding as at 30 June 2014.

(v) 200,000 options were granted on 12 December 2012 to directors with an expiry date of 1 July 2017 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in one-third portions on 1 July in each of 2014, 2015 and 2016 at \$0.65 per share (Issue WRR52).

200,000 of these options are outstanding as at 30 June 2014.

(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 2014		30 June 2013	
	No.	WAEP \$	No.	WAEP \$
Outstanding at the beginning of the financial year	1,342,500	0.6388	657,500	1.2900
Granted during the financial year	-	-	1,000,000	0.6500
Lapsed during the financial year	-	-	-	-
Cancelled during the financial year	(10,000)	0.6500	(315,000)	2.0238
Exercised during the financial year	-	-	-	-
Expired during the financial year	(70,500)	0.6500	-	-
Outstanding at the end of the financial year	<u>1,262,000</u>	<u>0.6381</u>	<u>1,342,500</u>	<u>0.6388</u>
Exercisable at the end of the financial year	262,000	0.5927	342,500	0.6062

**Notes to Share Based Payments**

- (i) The weighted average remaining contractual life for the share options outstanding as at 30 June 2014 is 2.64 years (2013: 3.46 years)  
The range of exercise prices for options outstanding at the end of the year was \$0.45 - \$0.65 (2013: \$0.45 - \$0.65)  
The weighted average fair value of options granted during the year was \$0.00 (none granted) (2013: \$0.2008)  
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.
- (ii) Included under employee benefits expense in the statement of profit or loss and other comprehensive income is \$47,129 (2013: \$40,917), and relates, in full, to equity-settled share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>18 Remuneration of auditors</b>		
Remuneration of the Auditor for auditing or reviewing financial reports of the Consolidated Group	69,996	100,004
<b>19 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	2,573,302	1,010,738
- Sales	(108,832)	(21,599)
<i>Amounts outstanding with the Seasons Group</i>		
- Receivables	28,604	16,490
- Payables	(1,279,132)	(240,901)
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 2014 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.		
<b>20 Earnings per share</b>		
<b>Overall operations</b>		
Basic earnings per share	3.45	(7.13)
Diluted earnings per share	3.15	(7.13)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	12,719,797	11,711,797
Weighted average number of dilutive converting preference shares on issue	13,197,671	10,600,000
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings Per Share	25,917,468	22,311,797
Anti-dilutive options on issue not used in dilutive EPS calculation	2,135,572	1,956,072
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>\$</b>	<b>\$</b>
<b>Earnings:</b>		
Earnings used in the calculation of Basic Earnings Per Share	439,449	(835,290)
Reconciliation of dilutive earnings to profit or loss:		
Profit	439,449	-
Interest on convertible notes	377,018	-
Earnings used in the calculation of Dilutive Earnings Per Share	816,467	-

The issue of ordinary shares in a Renounceable Rights Issue, which was made subsequent to the reporting period, that if issued prior to the reporting may have had a significant effect on the weighted average number of ordinary shares used in basic and diluted earnings, are disclosed in Note 25 Subsequent Events.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2014

21 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		Year ended	
	30 June 2014		30 June 2013	
	\$	%	\$	%
<b>Sales by country</b>				
Australia	4,222,868	33.43%	6,797,052	48.30%
Canada	533,474	4.22%	738,056	5.24%
United Kingdom	1,929,260	15.27%	1,521,705	10.81%
United States of America	2,569,054	20.34%	1,133,769	8.06%
Netherlands	1,337,180	10.59%	616,753	4.38%
Japan	1,063,905	8.42%	1,171,736	8.33%
Other foreign countries	974,631	7.72%	2,094,016	14.88%
	<u>12,630,372</u>	<u>100.00%</u>	<u>14,073,087</u>	<u>100.00%</u>

(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 13% of external revenue (2013: the largest customer was in Australia accounting for 30% of revenue, that Australian customer in 2014 accounted for 6%) and the second largest customer, located in the Netherlands accounted for 10% of external revenue (2013: second largest customer was in China, 7%). The next most significant customer accounts for 7% of external revenue (2013: 6.5%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

22 Parent company disclosures	Year ended	
	30 June 2014	30 June 2013
	\$	\$
<b>(a) Statement of profit or loss and other comprehensive income</b>		
Profit / (loss) from continuing operations	(931,698)	(984,719)
<b>Profit / (loss) for the year attributable to owners of the Company</b>	(931,698)	(984,719)
Other comprehensive income	-	-
<b>Total loss and other comprehensive income for the year attributable to owners of the Company</b>	<u>(931,698)</u>	<u>(984,719)</u>
<b>(b) Statement of financial position</b>		
<b>Assets</b>		
Current assets	345,526	193,819
Non-current assets	98,964	147,960
Total assets	<u>444,490</u>	<u>341,779</u>
<b>Liabilities</b>		
Current liabilities	2,655,220	2,258,132
Non-current liabilities	2,212,056	2,242,301
Total liabilities	<u>4,867,276</u>	<u>4,500,433</u>
Net assets / (deficiency of net assets)	<u>(4,422,786)</u>	<u>(4,158,654)</u>
<b>Equity</b>		
Issued capital	1,769,355	1,377,091
Reserves	697,630	762,040
Accumulated losses	(6,889,771)	(6,297,785)
Total equity	<u>(4,422,786)</u>	<u>(4,158,654)</u>

**(c) Guarantees**

The parent company has guaranteed contractual advances and the performance under contract of a subsidiary company.

**(d) Contractual commitments**

Parent entity operating lease commitments are the same as consolidated entity commitments as disclosed in Note 14. The parent entity has no capital expenditure commitments.

**23 Controlled entities**

Investments in unquoted corporations being controlled entities:	Incorporated	Share class	Holding	
			2014	2013
Beam Communications Pty Ltd	Australia	Ordinary	100%	100%
SatPhonerental Pty Ltd	Australia	Ordinary	100%	100%
SatPhone Shop Pty Ltd	Australia	Ordinary	100%	100%
Pacarc (PNG) Limited (Dormant)	Papua New Guinea	Ordinary	100%	100%
Beam Communications USA Inc	USA	Ordinary	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014

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**24 Correction of prior period accounting errors**

Financial assets and liabilities in prior years were not adjusted as prescribed by accounting standards AASB 132 and AASB 139 in relation to convertible notes issued by the Company. The accounting standards have been applied in the current year and accordingly the prior year comparative figures have also been restated in compliance with the accounting standards.

The financial statement lines affected and the correction amounts for prior year were as follows:

	30-Jun-13	30-Jun-12
<b>Statement of Financial Position</b>		
Increase in reserves	653,188	468,607
Decrease in accumulated Losses	<u>(385,770)</u>	<u>(151,053)</u>
Increase in equity attributable to owners of the Company	<u>267,418</u>	<u>317,554</u>
<b>Statement of Comprehensive Income</b>		
Increase in interest expense	<u>234,717</u>	
Decrease in profit before income tax	<u>234,717</u>	

**25 Subsequent Events**

On 1 July 2014 World Reach Limited announced a renounceable rights offer which allowed existing shareholders the right to purchase one new share per eligible share owned, at an issue price of \$0.15 per share. The rights offer was partially underwritten to the value of \$2,400,000. On 28 July 2014 the Group completed the rights offer with the issue of 16,000,000 new Ordinary Shares raising \$2,400,000 in capital funds (before costs).

During the process and afterwards some convertible note holders either converted to shares or advised the Group that they intended to convert. The funds raised from the renounceable rights offer were sufficient to repay the majority of the Group's interest bearing debt and provide a substantial improvement to the Group's balance sheet. The debt repayments include the redemption of the remaining convertible notes not converted by 22 August 2014 with value \$500,000 (repaid on 26 August 2014), the repayment of a shareholder loan of \$300,000 (which occurred on 27 August 2014) and repayment of the bank term loan of \$275,000 on 29 August 2014, as well as repayment of the balance of extended credit of US\$600,000 provided by creditors to part fund the recently completed major development project. As at 29 August 2014 all convertible notes have either been converted to shares or redeemed, such that no notes remain on issue by the Company.

**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 20 to 45 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
  - (b) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the company and consolidated group;
  - (c) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
  - (d) 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 2014.

This declaration is made in accordance with a resolution of the Board of Directors on 11 September 2014.

A handwritten signature in black ink, appearing to read 'Trevor Moyle', with a large loop at the end.

**Mr Trevor Bruce Moyle**  
Chairman



**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF**  
**WORLD REACH LIMITED**

**Report on the Financial Report**

We have audited the accompanying financial report of World Reach Limited, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation 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 is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

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

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

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of World Reach Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

### *Opinion*

In our opinion:

- (a) the financial report of World Reach Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 30 June 2014. 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.

### *Opinion*

In our opinion the Remuneration Report of World Reach Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



### **RSM BIRD CAMERON PARTNERS**



**J S CROALL**  
Partner  
Melbourne, VIC

Dated: 11 September 2014

## AUSTRALIAN SECURITIES EXCHANGE INFORMATION

As at 31 August 2014.

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

### TWENTY LARGEST SHAREHOLDERS

	Number	% of Class
SGV1 HOLDINGS LIMITED	9,243,207	21.41%
AMPLE SKILL LIMITED	8,256,818	19.12%
GEOFFREY ROBERT GARROTT	4,739,996	10.98%
ARTPRECIATION PTY LTD	1,888,632	4.37%
MICHAEL IAN CAPOCCHI	1,408,561	3.26%
KILLARNEY PROPERTIES P/L	1,212,245	2.81%
JOHN BEE & MARGARET BEE	720,000	1.67%
GARNOCK FAMILY	686,503	1.59%
TOM BEKIARIS	671,835	1.56%
OSTRAVA EQUITIES PTY LTD	602,948	1.40%
HOTTON FAMILY	542,750	1.26%
ROBERT MANSFIELD NIALL	527,200	1.22%
MAKORMAK INVESTMENTS P/L	474,672	1.10%
C L SEWARD & CO PTY LTD	466,666	1.08%
GRAHAM LLOYD TWARTZ	416,666	0.97%
WILLIAM HENRY TOBIN	375,000	0.87%
TABEDGE PTY LTD	357,143	0.83%
DENNIS FRANK PAYNE	328,570	0.76%
LI FAMILY	308,208	0.71%
VINCENT GALANTE	262,000	0.61%
TOTAL TOP 20:	<u>33,489,620</u>	<u>77.57%</u>
<b>TOTAL ISSUED:</b>	<b>43,173,452</b>	<b>100.00%</b>

### HOLDERS OF EACH CLASS OF EQUITY SECURITY

The company has issued:

- 43,173,452 ordinary fully paid shares to 722 shareholders.
- 1,522,000 options to subscribe for ordinary shares to 14 option holders.

No convertible notes remain on issue, having been converted to ordinary shares or redeemed in cash on 26 August 2014.

### VOTING RIGHTS

There are 43,173,452 ordinary fully paid shares held by 722 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
SGV1 HOLDINGS LIMITED	9,243,207	21.41%
AMPLE SKILL LIMITED	8,256,818	19.12%
GEOFFREY ROBERT GARROTT	4,739,996	10.98%

In addition to the above shareholdings:

- SGV1 holds options to subscribe for 260,000 ordinary shares.

### DISTRIBUTION OF SHARES

Size of Holdings	Number of Holders	Number of Shares	%
1 to 1,000	253	79,409	0.18%
1,001 to 5,000	175	504,582	1.17%
5,001 to 10,000	84	628,274	1.46%
10,001 to 100,000	166	5,820,238	13.48%
100,001 and over	44	36,140,949	83.71%
<b>TOTAL</b>	<u>722</u>	<u>43,173,452</u>	<u>100.00%</u>

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

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted
344	47.65%	257,885	0.60%



world reach

**World Reach Limited** ABN 39 010 568 804

5/8 Anzed Court, Mulgrave  
Victoria, Australia 3170

T: +61 3 8561 4200  
F: +61 3 9560 9055  
E: [info@worldreach.com.au](mailto:info@worldreach.com.au)  
W: [www.worldreach.com.au](http://www.worldreach.com.au)



**Beam Communications Pty Ltd** ABN 97 103 107 919

5/8 Anzed Court, Mulgrave  
Victoria, Australia 3170

T: +61 3 8588 4500  
F: +61 3 9560 9055  
E: [info@beamcommunications.com](mailto:info@beamcommunications.com)  
W: [www.beamcommunications.com](http://www.beamcommunications.com)

SatPhone Shop

**SatPhone Shop Pty Ltd** ABN 40 099 121 276

5/8 Anzed Court, Mulgrave  
Victoria, Australia 3170

T: +61 1 300 368 611  
F: +61 3 8669 4424  
E: [info@satphoneshop.com](mailto:info@satphoneshop.com)  
W: [www.satphoneshop.com](http://www.satphoneshop.com)



**World Reach RFID** Exclusive distributor for STid

5/8 Anzed Court, Mulgrave  
Victoria, Australia 3170

T: +61 3 8512 0263  
F: +61 3 9560 9055  
E: [info@stid.com.au](mailto:info@stid.com.au)  
W: [www.stid.com.au](http://www.stid.com.au)