

30 January 2015

The Manager  
Market Announcements Platform  
Australian Securities Exchange Limited

### **Company Report (Appendix 4C)**

Enclosed is the Quarterly Report (Appendix 4C) for the 3 months ended 31 December 2014.

There was a net increase in cash for the quarter of \$651k. Operating activities resulted in a net inflow of \$1127k. Investment expenditure accounted for a \$304k outflow with a further outflow in financing activities of \$172k.

The cash position at 31 December 2014 was \$1290k in funds held. The Company had undrawn financing facilities of \$693k.

#### **Company Update:**

##### **- Operations and Activities for the Quarter**

Sales revenue for December quarter was \$4.6m, catching up on the shortfall in sales of the previous quarter, including further sales at a significant level of the new product from the major development project completed in June 2014. Global distributor orders from European distributors were lower than anticipated but still at satisfactory levels and existing products continue selling at budgeted levels especially considering the compensatory effect of the increased value in AUD of sales conducted in USD, with the exchange rate movement through December quarter. Trading operations in December quarter were profitable with profit margins at budgeted levels. The net operating cash flow benefited from lower interest and staff costs than the previous quarter and prepayments as required for major sales to China.

The two current projects in the Company's product development program continued with \$301k of R&D in December quarter.

The major reduction in financing costs resulted from the repayment of all interest bearing debt following the rights issue in August 2014. The only loan remaining is a no-interest loan from Inmarsat for which a bi-annual repayment of \$172k was made in the quarter.

##### **- Outlook**

The first order for products from the major development project of 2013/14 was completed in early January 2015 with sales value totaling US\$4.0m since first deliveries. Fulfillment of the similar second order also began in January, slightly later than anticipated due to delays in production, but sales by 30

June 2015 should still reach the budgeted level, with completion of the order expected in September quarter 2015. A number of trading aspects have changed over the course of the financial year so far, notably the European market appearing to slow and the loss of a major short burst data customer in Australia, counter-balanced by the gain in AUD sales value and margin from the majority of revenue being in USD.

The Company's product development program continues with two projects underway, one revamping an existing set of products, the other an expansion of the product range. Incremental sales are not expected until the 2015/16 year.

Preparation of a major Australian Government Research & Development Grant application in relation to development work in the 2013/14 year is also in process.

The rights issue in September quarter 2014 provided a significant improvement to the balance sheet and ongoing interest savings. Although there are a number of factors that are difficult to forecast (as referred to above), profitable trading for the remainder of the 2014/15 year is expected to generate positive cash flow and a profit result broadly in line with expectations and the previous financial year.

Yours faithfully



Michael Capocchi  
Managing Director

# Appendix 4C

## Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000.

Name of entity

**World Reach Limited**

ABN

**39 010 568 804**

Quarter ended ("current quarter")

**31 December 2014**

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date ( 6 months) \$A'000
1.1 Receipts from customers (including deposits)	4713	9118
1.2 Payments for (a) staff costs (b) advertising and marketing (c) research and development (d) leased assets (e) other working capital	(769)	(1604)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	(17)	(99)
1.6 Income taxes paid	(13)	(38)
1.7 Other (provide details if material)		
- Operating Purchases	(2691)	(6569)
- Rent	(48)	(92)
- GST (Net)	(48)	(84)
- Other – Export Dev Grant (net)	-	-
<b>Net operating cash flows</b>	<b>1127</b>	<b>633</b>

+ See chapter 19 for defined terms.

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**Quarterly report for entities**  
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	Current quarter \$A'000	Year to date ( 6 months) \$A'000
1.8 Net operating cash flows (carried forward)	1127	633
<b>Cash flows related to investing activities</b>		
1.9 Payment for acquisition of: (a) businesses (item 5) (b) equity investments (c) intellectual property (d) physical non-current assets (e) other non-current assets – product dev. capitalized.	(3)     (301)	(8)     (443)
1.10 Proceeds from disposal of: (a) businesses (item 5) (b) equity investments (c) intellectual property (d) physical non-current assets (e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Other – R&D Grant	-	-
	(304)	(451)
<b>Net investing cash flows</b>		
1.14 <b>Total operating and investing cash flows</b>	<b>823</b>	<b>182</b>
<b>Cash flows related to financing activities</b>		
1.15 Proceeds from issues of shares, options, etc. – rights issue	-	2400
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings – Inmarsat loan – Other loans	(172) -	(172) (575)
1.19 Dividends paid	-	-
1.20 Other – convertible notes repaid	-	(500)
	(172)	1153
<b>Net financing cash flows</b>		
<b>Net increase (decrease) in cash held</b>	<b>651</b>	<b>1335</b>
1.21 Cash at beginning of quarter/year to date	639	(45)
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 <b>Cash at end of quarter</b>	<b>1290</b>	<b>1290</b>

+ See chapter 19 for defined terms.

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	122
1.25	Aggregate amount of loans to the parties included in item 1.11	NIL

1.26 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

NIL

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

NIL

**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities – Bank overdrafts:	693	NIL
3.2	Credit standby arrangements	NONE	NONE

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**Reconciliation of cash**

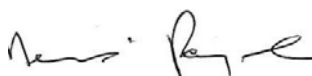
Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1290	827
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	(188)
4.4 Other (provide details) – bank loan	-	-
<b>Total: cash at end of quarter (item 1.23)</b>	<b>1290</b>	<b>639</b>

**Acquisitions and disposals of business entities**

	Acquisitions (Year to date) <i>(Item 1.9(a))</i>	Disposals (Year to date) <i>(Item 1.10(a))</i>
5.1 Name of entity		
5.2 Place of incorporation or registration		
5.3 Consideration for acquisition or disposal		
5.4 Total net assets		
5.5 Nature of business		

**Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
  - 2 This statement does give a true and fair view of the matters disclosed.
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Dennis Payne - Company Secretary

30 January 2015.

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+ See chapter 19 for defined terms.

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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