



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

30 September 2010

The Manager
Company Announcements Platform
Australian Securities Exchange

Announcement for Immediate Release

Annual Report

Please find attached the company's Annual Report for the year ended 30 June 2010.

Yours faithfully

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

Dennis Payne
Company Secretary



world reach

Annual Report 2010

CONTENTS

Directorate	1
Chairman's Report	2
Directors' Report	3
Auditor's Independence Declaration	10
Corporate Governance Statement	11
Consolidated Financial Statements	
Consolidated Statement of Comprehensive Income	18
Consolidated Statement of Financial Position	19
Consolidated Statement of Changes in Equity	20
Consolidated Statement of Cash Flows	21
Notes to the Consolidated Financial Statements	22
Directors' Declaration	44
Auditor's Report	45
Australian Securities Exchange Information	48

DIRECTORATE

NON-EXECUTIVE CHAIRMAN
Mr Anthony Peter Bigum

MANAGING DIRECTOR
Mr Michael Ian Capocchi

NON-EXECUTIVE DIRECTOR
Mr John Gordon McCormack

COMPANY SECRETARY
Mr Dennis Frank Payne

REGISTERED OFFICE

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

P O Box 1524

Sydney South, NSW, 1234

Ph: (02) 8280 7454

Fax: (02) 9287 0303

SOLICITORS TO THE COMPANY

TressCox Lawyers

Level 9, 469 LaTrobe Street

Melbourne, Vic, 3000

Ph: (03) 9602 9444

Fax: (03) 9642 0382

AUDITOR

Pitcher Partners

Level 19, 15 William Street

MELBOURNE VIC 3000

Ph: (03) 8610 5000

Fax: (03) 8610 5999

ASX HOME BRANCH

Brisbane

ASX CODE

WRR

CHAIRMAN'S REPORT

The past year has continued to be challenging for the company as recovery in economic activity following the global financial crisis has taken longer to materialise than expected.

Our distribution channels continue to report that their major customers and government departments are maintaining a cautious outlook and continue to restrain expenditure on products and services wherever possible.

The effect of reduced sales activity on profitability has been further accentuated by the continuing strength of the A\$ to the US\$ and consequential effect on US\$ denominated sales revenue and gross profit margins.

In addition to the sale of our products through traditional distribution channels the company has also been successful in securing several major contracts during the year by partnering with strategic partners where Beam products are incorporated into specific market applications. These market opportunities included Beam equipment to support vehicle monitoring services for more than 1,000 garbage trucks in Tokyo and a large deployment in Western Australia to track and monitor emergency vehicles in conjunction with Telstra.

These strategic opportunities that address specific customer requirements provide important substantial reference customers to reinforce the wide and varied application of our products as well as the ability to produce high volumes of terminal products and to distribute nationally and internationally. There are presently significant opportunities in South America for Beam solutions that are in the final stages of negotiation. These projects will support highway emergency communications tracking as well as Universal Service Deployments.

The most important achievement for the year has been the agreement with Inmarsat PLC to design, develop, manufacture and distribute docking stations to support the launch of Inmarsat's first handheld satellite telephone. Inmarsat is the world's largest provider of global satellite services and following significant negotiation through an RFP process Beam was chosen as the leading provider of Inmarsat's range of docking accessories.

The selection of Beam and the financial support provided by Inmarsat is strong endorsement of the technical, sales and marketing expertise that Beam has developed in becoming internationally recognised for the quality of its products and global sales network. I am pleased to report that the design and development of these products has now been substantially completed within our cost budget and the timelines required by Inmarsat to enable the release of these products to the market in September 2010. Following the successful completion of the milestones to date, discussions have recently taken place with Inmarsat in regard to several strategic opportunities in the global maritime market that would expand the reach of Beam products and services.

A gradual improvement in the world economy, the release of new products to support Inmarsat equipment and successful high volume strategic sales opportunities for specific markets or applications will lead to increased sales for the 2010/11 year and a recovery in profitability.

To ensure the company has sufficient working capital to support the current business requirements and potential growth and in reflection of the current share price, the Board will seek shareholder approval for a two year extension of the convertible note maturity date from July 2011 to 2013.

We will continue to seek opportunities to broaden our product range and to build our revenue base by extending our distribution arrangements in Europe, Asia and South America.



Mr Anthony Peter Bigum
Chairman

DIRECTORS REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2010.

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:

Anthony Peter Bigum
Michael Ian Capocchi
John Gordon McCormack

The qualifications, experience and special responsibilities of each of the present directors are:

Anthony Peter Bigum – Non Executive Chairman

Age: 61

Mr Bigum was Chief Executive Officer of Thermo Electron Ltd and has over 30 years experience relating to commercialisation within the Medical In Vitro Diagnostic industry. Mr Bigum has extensive experience at Board level and in the development of export markets.

Mr Bigum's other positions include Chairman of the Australian Diagnostic Manufacturers Association and the past Vice Chairman of Long March – Trade Medical Science Company in Shanghai, Director and Vice President of Trace America Ltd and Chairman of Trace International Ltd Hong Kong.

Mr John Gordon McCormack – Non Executive Director

Age: 67

A Chartered Accountant, John McCormack is a principal in the corporate advisory firm McCormack and Partners Advisory. He specialises in corporate advisory and governance and has extensive experience as an advisor to medium sized companies with activities in Australia and Asia.

Michael Ian Capocchi – Managing Director

Age: 39

Mr Capocchi joined World Reach Limited as the General Manager of the Beam Communications subsidiary in 2003.

Mr Capocchi has had over 15 years experience in the ICT industry and has held several senior management positions.

Mr Capocchi 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, managing the day to day operation of the company as well as the Beam Communications subsidiary.

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 economic entity secretary to the board, 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 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.

PRINCIPAL ACTIVITIES

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

DIRECTORS' REPORT (continued)

OPERATING RESULTS AND REVIEW OF ACTIVITIES

The Consolidated Group reports a total comprehensive income / (loss) of (\$369,069) for the year on total revenue of \$7,809,725 which included profits of \$82,000 from discontinued operations (total comprehensive income of \$634,280 on revenue of \$9,121,456 in the previous year which included profits of \$293,275 arising from discontinued operations).

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

	2010 \$000	2009 \$000
Revenue	7,810	9,121
<u>Deduct</u>		
Cost of Goods Sold, Research & Development, Administrative Marketing and Corporate Expenses	7,998	8,546
Operating Profit before interest and tax	(188)	575
<u>Deduct</u>		
Interest	263	234
Operating Profit (Loss)	(451)	341
<u>Add</u>		
Profits attributable to discontinued business	82	293
Net profit / (loss) for Year	(369)	634
Total comprehensive income (loss) for the Year	(369)	634

The revenue and trading results for the year have been affected by two major issues:

- The global financial crisis and the consequential decline in economic activity which started in the previous year and continued during the greater part of the current year had a major impact on sales, particularly to customers in North America.
- Approximately \$3.7m of our sales to customers are denominated in \$USD. The increase in the exchange rate between the \$AUD and the \$USD reduced the amount of these sales and our gross profit margins as we were not able to increase our \$USD pricing to fully offset the reduced \$AUD received. There has been an improvement in the \$USD rate in recent months. Exchange rates will continue to have a significant effect on our total revenue & profit margins.

We are now seeing a gradual increase in enquiries from our core customers however we note that our Resellers are still maintaining their inventories of Beam products at minimal levels.

In addition to marketing products through our Reseller Distribution Network, Beam was able to secure major contracts to deliver products and ancillary support services which were part of a total solution in special circumstances as follows:

- Beam supplied 150 of its locally designed and manufactured satellite based GPS alert and tracking terminals to Telstra for incorporation into a turnkey solution provided by Telstra for emergency vehicle tracking and alert in Western Australia.
- Beam also supplied over 1000 short burst data modems to KDDI Corporation of Japan for monitoring and tracking the movement of garbage trucks in Tokyo.

The company has been mindful of its dependence on products that primarily supported the Iridium Satellite network. For some time we have endeavoured to develop relationships with other Satellite communication networks and we are pleased to report our appointment in the first quarter of the 2010/11 year as the developer, manufacturer and distributors of docking units for handheld satellite phones to be released by Inmarsat PLC the leading provider of global mobile satellite communications services.

Inmarsat have supported Beam by providing an interest free loan of up to USD\$3.18m of which USD\$1.2m (AUD\$1.4m) has been drawn at 30 June 2010 to fund the design and development of these products and for working capital for the inventory build up and initial marketing and promotion.

This loan is repayable in instalments equal to an agreed percentage of sales of these new products by Beam or alternatively the supply of these products by Beam directly to Inmarsat.

Beam will distribute these products through its existing global distribution channels.

Beam has committed significant management and other resources to this project which has had no contribution to profitability in the current year, however it is anticipated to generate substantial sales and profits in subsequent years from product sales.

Further diversification of products and services opportunities by developing alert monitoring and tracking products and services and rental of satellite phones and delivery of services is also being developed.

The global Reseller Distribution Network which Beam has established to promote and market its products and services remains strong despite the difficult economic conditions and has been extended with new Resellers appointed for Mexico and South America.

The Directors are optimistic that sales growth of existing Iridium based products can continue and new sales of Inmarsat based products will provide substantial total revenue increases.

The company will also continue to identify, develop and introduce new products and services based on Satellite Communication Networks.

DIRECTORS' REPORT (continued)

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Consolidated Group during the financial year.

AFTER BALANCE DATE EVENTS

On 4 August 2010 the Company announced its proposal to grant Directors 18,000,000 options to subscribe for shares, exercisable at \$0.0125. These options would be exercisable by 31 December 2015 and are subject to shareholder approval at the next Annual General Meeting of the Company.

Other than noted above, there are no matters or circumstances arising since the end of the financial year which significantly affected, or may significantly affect, the operations of the Consolidated Group, the results of those operations, or the state of affairs of the Consolidated Group in subsequent financial years.

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 businesses.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

No ordinary shares of the Company were issued during the year ended 30 June 2010 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 17 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
10.03.06	01.07.11	\$0.0250	500,000
10.03.06	01.07.11	\$0.0200	250,000
29.10.06	29.10.11	\$0.0250	1,000,000
20.09.07	30.09.12	\$0.0200	10,000,000
20.09.07	30.09.12	\$0.0250	5,000,000
20.09.07	30.09.12	\$0.0300	5,000,000
02.05.08	30.09.12	\$0.0250	1,500,000
30.06.08	31.10.12	\$0.0250	14,750,000
30.06.08	31.10.12	\$0.0500	12,906,250
30.06.08	31.10.12	\$0.0750	11,062,500
25.07.08	01.04.13	\$0.0250	3,500,000
25.07.08	01.04.13	\$0.0500	3,062,500
25.07.08	01.04.13	\$0.0750	2,625,000
23.12.08	31.12.13	\$0.0065	7,800,000
15.05.09	01.07.14	\$0.0060	43,500,000
30.09.09	30.09.14	\$0.0065	12,450,000
			134,906,250

DIRECTORS' MEETINGS

During the year ended 30 June 2010 the company held 16 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
Mr M Cappochi	13	13	0	0
Mr J McCormack	13	13	3	3
Mr A Bigum	13	13	3	3

DIRECTORS' REPORT (continued)

REMUNERATION REPORT

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 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's Share Option Incentive Plan in which executive directors and senior executives may participate was approved by shareholders on 21 November 2008 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.

Other Benefits

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

Employment Contracts

Employment Contracts of Senior Executives

The employment contract of the Managing Director is set out in a formal contract of employment dated 5 September 2007. The contract expires on 30 June 2011 and 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 A P Bigum	Director - Non-Executive
Mr M Capocchi	Managing Director - Executive
Mr J G McCormack	Director - Non-Executive

Other key management personnel

Mr D Payne	Chief Financial Officer
------------	-------------------------

(b) Details of remuneration for the year

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

2010	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 allowance \$	Employee benefits payable \$	Super-annuation \$	Employee benefits payable \$	Eligible termination benefits \$	Options [a] \$			
Directors											
Mr A P Bigum	25,000	-	-	-	-	-	-	-	25,000	0.00%	0.00%
Mr M Capocchi	290,000	-	15,000	-	26,100	10,555	-	7,570	349,225	0.00%	2.17%
Mr J G McCormack	25,000	-	-	-	-	-	-	-	25,000	0.00%	0.00%
Other											
Mr D Payne [c]	157,300	-	-	(668)	14,157	6,027	-	6,600	183,416	0.00%	3.60%
Total	<u>497,300</u>	<u>-</u>	<u>15,000</u>	<u>(668)</u>	<u>40,257</u>	<u>16,582</u>	<u>-</u>	<u>14,170</u>	<u>582,641</u>		

2009	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 allowance \$	Employee benefits payable \$	Super-annuation \$	Employee benefits payable \$	Eligible termination benefits \$	Options [a] \$			
Directors											
Mr A P Bigum	25,000	-	-	-	-	-	-	-	25,000	0.00%	0.00%
Mr M Capocchi [b][c]	290,000	70,000	15,000	10,569	26,100	8,547	-	38,438	458,654	15.26%	8.38%
Mr J G McCormack	25,000	-	-	-	-	-	-	-	25,000	0.00%	0.00%
Other											
Mr D Payne [c]	157,300	-	-	7,980	14,157	3,680	-	5,110	188,227	0.00%	2.71%
Total	<u>497,300</u>	<u>70,000</u>	<u>15,000</u>	<u>18,549</u>	<u>40,257</u>	<u>12,227</u>	<u>-</u>	<u>43,548</u>	<u>696,881</u>		

[a] Option based compensation relates to the value of options issued to date and brought to account pro-rata to service provided.

[b] Performance related bonus for Mr M Capocchi was dependent on achievement of a profit result.

[c] Employee benefits payable represents net increase in benefits payable charged to the income statement in the current year.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

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

2010	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 \$
Directors							
Mr A P Bigum	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	(42,250)	(42,250)
Mr J G McCormack	-	-	-	-	-	-	-
Other							
Mr D Payne	30.06.09	2,750,000	0.0024	6,600	-	(37,128)	(30,528)

2009	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 \$
Directors							
Mr A P Bigum	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-
Mr J G McCormack	-	-	-	-	-	-	-
Other							
Mr D Payne	23.12.08	1,500,000	0.0021	3,150	-	-	3,150

(c) (ii) Options granted and vested during the year

Terms & conditions for each grant								
2010	Vested No.	Granted No.	Grant date	Value per option at grant date \$	Exercise price \$	Expiry date	First exercise date	Last exercise date
Directors								
Mr A P Bigum	-	-	-	-	-	-	-	-
Mr M Capocchi	5,625,000	-	-	-	-	-	-	-
Mr J G McCormack	-	-	-	-	-	-	-	-
Other								
Mr D Payne	2,750,000	2,750,000	30.06.09	0.0024	0.0065	30.09.14	30.09.09	30.09.14
Total	<u>8,375,000</u>	<u>2,750,000</u>						

Terms & conditions for each grant								
2009	Vested No.	Granted No.	Grant date	Value per option at grant date \$	Exercise price \$	Expiry date	First exercise date	Last exercise date
Directors								
Mr A P Bigum	-	-	-	-	-	-	-	-
Mr M Capocchi	5,812,500	-	-	-	-	-	-	-
Mr J G McCormack	-	-	-	-	-	-	-	-
Other								
Mr D Payne	2,145,833	1,500,000	23.12.08	0.0021	0.0065	31.12.13	23.12.08	31.12.13
Total	<u>7,958,333</u>	<u>1,500,000</u>						

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

Options granted during the year were determined after consideration of performance contributions associated with each key management person at the recommendation of the Board of Directors.

(d) Shares issued on exercise of remuneration options

No options were exercised by key management personnel during the financial year ended 30 June 2010 and comparative year ended 30 June 2009.

DIRECTORS' REPORT (continued)

NON AUDIT SERVICES

No non audit services were undertaken by external auditors during the year ended 30 June 2010.

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 30th September 2010.

A handwritten signature in black ink, appearing to read 'A. Bigum', is positioned above the printed name and title.

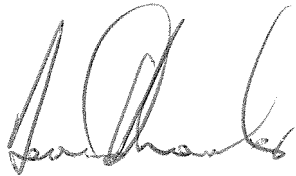
Mr Anthony Peter Bigum
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of World Reach Limited

In relation to the independent audit for the period ended 30 June 2010, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the Corporations Act 2001.
- (ii) No contraventions of any applicable code of professional conduct.



D A KNOWLES

Partner

30 September 2010



PITCHER PARTNERS

Melbourne

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 the Revised Corporate Governance Principles and Recommendations released by the Australian Securities Exchange (ASX) Corporate Governance Council in August 2007. Whilst we have, for some time, had corporate governance policies and practices that substantially comply with the recommendations issued in March 2003, we have reviewed and updated our practices in the light of the Council's Revised Principles and Recommendations.

In line with these recommendations and the requirements of the ASX Listing Rule 4.10 and in the spirit of good disclosure we now report on our compliance with each of the Revised Principles and Recommendations.

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 lodged on the Company's website.

The employment contract between the Company and the Managing Director and the letters of Engagement for the Chief Financial Officer and Senior Executives detail the terms of their 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.

The Role of Senior Executives

The Managing Director 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 who meet 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 Managing Director 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 Managing Director and his direct reports during business planning / strategy meetings.

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 carries out its responsibilities according to the following general principles:

- § the Board should be made up of a majority of Independent Directors;
- § the Chairman of the Board should be an Independent Director;

CORPORATE GOVERNANCE (continued)

- § the roles of Chairman and Managing Director 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 a separate and specific agenda item 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 any CEO appointed;
- § 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 2010, the board and/or its committees met 16 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 proposed Board or executive appointments they are considering undertaking and advise the Company of 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 3 member Board consisting of two non-executive Directors. Each of these 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.

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

Mr Anthony Bigum, an independent non-executive Director is the Chairman of the Board.

Appointment of Directors

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

The Board considers that 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 to ensure the Board has an appropriate mix of qualifications, skills and experience. 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

CORPORATE GOVERNANCE (continued)

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 agree with the setting of 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 CEO, 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. 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 themselves 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.

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 create wealth for shareholders and add value for customers 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;
- § 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;
- § Employment practices; and
- § Responsibilities to the environment and the community.

CORPORATE GOVERNANCE (continued)

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 to their clients' 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 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.

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 J McCormack (Chairman)
- § Mr A Bigum

Details of the qualifications, experience and attendance at Committee Meetings by each Committee Member is including in the Directors Report.

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;

- § recommends appointment of external audit and fees;
- § reliability and appropriateness of disclosure of the financial statements and external related financial communication;
- § compliance with statutory responsibilities;
- § reviews budgets and accounting policy;
- § maintenance of an effective framework of business risk management including compliance and internal controls and monitoring of the internal audit function;
- § adequacy of the Company's insurance programme, including directors' and officers' professional indemnity and other liability insurance cover; and
- § 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 and the CFO 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 charter is posted on the Company's website.

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.

CORPORATE GOVERNANCE (continued)

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.

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

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 general commentary and operations in quarterly reports.

All ASX announcements and quarterly reports are posted on the ASX website for the Company and the Company's website.

All shareholders receive copies of the shareholders notices by post and a copy of the annual report is distributed to all shareholders who elect to receive it and is available on the Company's website.

Annual General Meeting (AGM)

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 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.

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. Risk and compliance information is reported quarterly to the Board.

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 with the Managing Director having 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 each year.

The Board reviews and approves the parameters under which significant business risks will be managed before adopting the business plan.

CORPORATE GOVERNANCE (continued)

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 Groups management team; and
- § any director may request that operational and project audits be undertaken either internally or by external consultants.

The Board has also adopted reporting and other 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 at each reporting date that, with regard to risk management and internal compliance and control systems of the Company.

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

Principle 8: Companies 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, rather, 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.

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 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 senior executives with those of shareholders by remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration.

Consequently, 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 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.

CORPORATE GOVERNANCE (continued)

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 21 November 2008 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. 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
- § CFO
- § 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.

WORLD REACH LIMITED AND CONTROLLED ENTITIES
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Continuing Operations			
Revenue	2(a)	7,809,725	9,121,456
Changes in inventories of raw materials, finished goods and work in progress		96,341	36,220
Raw materials, consumables and other costs of sale	2(b)	(4,908,892)	(5,177,200)
Employee benefits expense		(1,882,139)	(2,080,899)
Depreciation expense	8(a)	(107,339)	(99,125)
Finance costs expense	2(c)	(263,236)	(234,343)
Auditor remuneration expense	20	(57,342)	(67,324)
Accounting, share registry and secretarial expense		(83,047)	(117,836)
Consultancy and contractor expense		(110,466)	(136,734)
Legal and insurance expense		(92,080)	(93,945)
Other expenses		<u>(852,594)</u>	<u>(809,265)</u>
Profit / (Loss) before income tax		(451,069)	341,005
Income tax (expense) / benefit	3(a)	<u>-</u>	<u>-</u>
Profit / (Loss) from continuing operations		(451,069)	341,005
Discontinued operations			
Profit from discontinued operations	4	<u>82,000</u>	<u>293,275</u>
Profit / (Loss) for the year attributable to owners of the Company		(369,069)	634,280
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income / (loss) for the year attributable to owners of the Company		<u>(369,069)</u>	<u>634,280</u>
Profit / (Loss) and total comprehensive income / (loss) are both fully attributable to owners of the Company			
Overall operations			
Basic earnings per share (cents)	21	(0.06)	0.10
Diluted earnings per share (cents)	21	(0.06)	0.06
Continuing operations			
Basic earnings per share (cents)	21	(0.07)	0.05
Diluted earnings per share (cents)	21	(0.07)	0.03
Discontinuing operations			
Basic earnings per share (cents)	21	0.01	0.05

The above Statement of 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 2010

	Note	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	5	406,853	233,686
Inventories	6	1,816,681	1,720,340
Trade and other receivables	7	1,037,350	850,580
Total current assets		3,260,884	2,804,606
Non-current assets			
Plant and equipment	8	351,201	197,155
Intangible assets	9	764,590	-
Total non-current assets		1,115,791	197,155
Total assets		4,376,675	3,001,761
Current liabilities			
Trade and other payables	10	979,067	804,024
Other financial liabilities	11	2,210,705	514,499
Short-term provisions	12	263,318	419,228
Total current liabilities		3,453,090	1,737,751
Non-current liabilities			
Other financial liabilities	11	1,750,000	1,750,000
Long-term provisions	12	37,131	45,938
Total non-current liabilities		1,787,131	1,795,938
Total liabilities		5,240,221	3,533,689
Net assets / (deficiency of net assets)		(863,546)	(531,928)
Equity			
Issued capital	13	19,869,935	19,869,935
Reserves		299,174	395,938
Accumulated losses		(21,032,655)	(20,797,801)
Equity attributable to owners of the Company		(863,546)	(531,928)
Total equity		(863,546)	(531,928)

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 2010

	Issued capital \$	Reserves \$	Retained earnings (Accumulated losses) \$	Total equity \$
Balance at 1 July 2008	19,790,798	394,597	(21,498,930)	(1,313,535)
Total comprehensive income attributable to owners of the Company	-	-	634,280	634,280
Transactions with owners in their capacity as owners				
- Remuneration based option payments	-	68,190	-	68,190
- Adjustment for employee share options lapsed	-	(66,849)	66,849	-
- Contributions of equity, net of transaction costs	79,137	-	-	79,137
Balance at 30 June 2009	19,869,935	395,938	(20,797,801)	(531,928)
Balance at 1 July 2009	19,869,935	395,938	(20,797,801)	(531,928)
Total comprehensive income / (loss) attributable to owners of the Company	-	-	(369,069)	(369,069)
Transactions with owners in their capacity as owners				
- Remuneration based option payments	-	37,451	-	37,451
- Adjustment for employee share options lapsed	-	(134,215)	134,215	-
Balance at 30 June 2010	19,869,935	299,174	(21,032,655)	(863,546)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 \$	2009 \$
Cash flow from operating activities			
Receipts from customers		8,150,945	9,783,560
Payments to suppliers and employees		(8,384,405)	(10,211,578)
Interest received		442	13,885
Interest and finance charges paid		(263,236)	(290,998)
Export market development grant		103,755	-
Net cash provided by / (used in) operating activities	16(a)	<u>(392,499)</u>	<u>(705,131)</u>
Cash flow from investing activities			
Purchases of plant and equipment	8(a)	(264,397)	(25,226)
Proceeds from sale of plant and equipment	8(a)	164	-
Development costs capitalised	9	(764,589)	-
Proceeds on sale of Network Services division		-	195,433
Net cash provided by / (used in) investing activities		<u>(1,028,823)</u>	<u>170,207</u>
Cash flow from financing activities			
Net cash proceeds / (payments) - Unsecured other loans		1,319,278	(7,573)
Payments on 2009 share buy back		(9,323)	(53,526)
Repayment of secured convertible note upon maturity		-	(1,825,000)
Proceeds on issue of secured convertible notes		-	1,725,000
Proceeds on share purchase plan		-	155,000
Net cash provided by / (used in) financing activities		<u>1,309,954</u>	<u>(6,099)</u>
Net increase / (decrease) in cash and cash equivalents		(111,368)	(541,023)
Cash and cash equivalents at beginning of year		(258,476)	282,547
Cash and cash equivalents at end of financial year	16(b)	<u><u>(369,844)</u></u>	<u><u>(258,476)</u></u>

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 2010

1. Summary of significant accounting policies

(i) Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of World Reach Limited and controlled entities. World Reach Limited is a listed public company, incorporated and domiciled in Australia. Separate financial statements for the parent company no longer need to be disclosed due to amendments to the Corporations Regulations 2001. However, mandatory summary parent company information is disclosed in Note 24.

The financial report of World Reach Limited and controlled entities, complies with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(ii) Going concern

The Consolidated Group incurred a loss for the year ended 30 June 2010 of \$369,069 after including writeback of provisions relating to a discontinued business of \$82,000 (profit of \$634,280 in 2009 after including a profit from a discontinued business and the sale of that business of \$293,275).

At 30 June 2010, the Group had a net asset deficiency of \$863,546 (2009 net deficiency of \$531,928). Current liabilities exceeded current assets by \$192,206 (current assets exceeded current liabilities by \$1,066,855 in 2009).

The Group had a negative cash flow during the year of \$111,368 (negative cash flow of \$541,023 in 2009). A negative cash flow from operations of \$392,499 was partially offset by the receipt of loan amounts from Inmarsat PLC for the design and development of a new product of \$1,319,278 which exceeded capital expenditure of \$1,028,823.

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 and realize its assets and extinguish its liabilities in the normal course of business.

The future financial position of the Group is supported by the following:

- Under the loan arrangements with Inmarsat PLC for the design and development of new products and for the marketing and inventory buildup of these products the Group is entitled to receive further loan amounts totaling \$2,192,426 subsequent to the 30 June 2010 on completion of agreed milestones. These conditions have been satisfied and the Group has received a further loan amount of \$1,286,196 up to 30 September 2010 and will receive a final loan amount of \$906,230 by 30 December 2010. The loan agreement with the lender provides for repayment from a percentage of the proceeds from the sale of these products over a 2 year period.
- The Company has extended the maturity date of convertible notes with a face value of \$1,450,000 from July 2011 to July 2013 to further strengthen the Group's financial position.
- World Reach Limited is planning to provide shareholders with the opportunity to take up additional shares at a discount to market value by way of a share purchase plan in early 2011 and anticipates raising not less than \$300,000.
- The Group did not meet all covenants required under its banking facility arrangements during the year ended 30 June 2010. However subsequent to 30 June 2010 the Company has negotiated the continuation of arrangements for the provision of overdraft facilities of \$1,000,000 and guarantee facilities of \$92,000. The Company's bankers have imposed covenants in relation to the continuation of these facilities including lodgement with the bank of a deposit of \$500,000 by 31 August 2010 which has occurred.
- The Group is forecasting profitable trading and positive cash flow from operations for the year ended 30 June 2011. These forecast trading profits and cash flows are based on a continuation of existing economic conditions and exchange rates applicable at the date of the report. The forecasts include estimated sales of existing products at levels achieved in the year ended 30 June 2010 and significant additional sales of new products developed for release with new handheld satellite phones in September 2010. Any material variation in economic conditions, exchange rates or the anticipated level of acceptance of the new products will effect the timing and amount of sales and will have a consequential effect on future profits and cash flows.

The receipt of future loan amounts to support the completion of product design and development, marketing and inventory build up expenditure, and the requirement to repay this loan from a proportion of proceeds from the sale of these products, together with the achievement of profitable trading and positive cash flow from operations, the continuation of current banking facilities, the issue of additional share capital under a share purchase plan and the extension of the maturity date for convertible notes to July 2013, will provide the Group with sufficient cash flows to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

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 accounts comprise the accounts of the company and all entities controlled by the company. A controlled entity is any entity over which World Reach Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

(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 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 2010. 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.

Repairs and maintenance to plant and equipment is charged to the Statement of 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 2009 and 2010.

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 Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. Summary of significant accounting policies (continued)

(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 economic benefits. Expenditure during the research phase of a project is recognised as an expense when incurred.

(f) Employee benefits

Leave entitlements

Provision is made for the company's liability for employee leave entitlements arising from services rendered by employees to balance date. Entitlements that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Sales incentives provisions

Provision is made for the company's liability under the Sales Incentive Scheme. The scheme applies to certain managers whose performance is sales related and who have a sales incentive included in their employment contract.

Superannuation

Contributions made by the company to employee superannuation funds are charged to the Statement of Comprehensive Income as expenses when incurred.

Equity - settled compensation

Share and option based employee compensation benefits are provided in accordance with the World Reach Limited Share Option Incentive Plan.

The fair value of options granted under this plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised pro rata over the period during which the employees become entitled to the options. The fair value at grant date is independently determined using the Black-Scholes option pricing model. Further information relating to equity settled compensation is provided in Notes 17 and 18 to these financial statements.

(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 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 Comprehensive Income. Refer Note 14 for a detailed review of the group's financial instruments.

(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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. Summary of significant accounting policies (continued)

(k) 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 continued 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 Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

(l) 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.

(m) 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.

(n) 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).

(o) New accounting standards and interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
2 Profit / (Loss) before income tax		
(a) Revenue from continuing operations		
Revenue		
- Equipment sales	7,669,441	8,825,471
- Equipment hire	85,216	89,140
- Other	20,871	4,937
	<u>7,775,528</u>	<u>8,919,548</u>
Other income		
- Interest	442	13,885
- Realised foreign currency exchange net gains	-	118,023
- Export market development grant	33,755	70,000
	<u>34,197</u>	<u>201,908</u>
Total revenue from continuing operations	<u>7,809,725</u>	<u>9,121,456</u>
(b) Cost of sales for continuing operations		
Opening inventories	1,720,340	1,684,120
Add: Purchases and other stock adjustments	4,908,892	5,177,200
	<u>6,629,232</u>	<u>6,861,320</u>
Closing inventories (Note 6)	<u>(1,816,681)</u>	<u>(1,720,340)</u>
	<u>4,812,551</u>	<u>5,140,980</u>
(c) Finance costs expense		
Interest expense on financial liabilities		
- External	263,236	234,343
Total finance costs expense	<u>263,236</u>	<u>234,343</u>
(d) Other expenses include:		
- Directors fees for the year	50,004	50,005
- Write back in prior over provision of directors fees	-	(28,861)
- Realised foreign currency exchange net losses	48,506	-
- Unrealised foreign currency net losses	83,670	-
- Product development costs expensed	234,819	422,151
- Write back in provision for bad and doubtful debts	(22,000)	(43,538)
- Minimum lease payments on operating leases	112,629	119,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
3 Income tax		
(a) The components of tax expense / (benefit) comprise:		
Current tax		
- Current tax benefit (Refer 3b below)	(205,839)	(4,524)
- Current movement in deferred tax not brought to account	205,839	4,524
Income tax expense / (benefit) transferred to Statement of Comprehensive Income	-	-
(b) The prima facie tax benefit on profit / (loss) from ordinary activities before income tax is reconciled to the current income tax benefit as follows:		
Profit / (loss) from ordinary activities	(369,069)	634,280
Prima facie income tax benefit on profit / (loss) from ordinary activities at 30% (2009: 30%)	(110,721)	190,284
Add / (Less):		
Tax effect of:		
- Deductible amortisation	(30,939)	(45,854)
- Decrease in provisions	(68,616)	(28,108)
- Decrease in accruals	(34,125)	(144,355)
- Sundry items	38,562	23,509
Income tax expense / (benefit) attributable to the Consolidated Group	(205,839)	(4,524)

- (c) Deferred tax assets, relating to deductible temporary differences, accumulated tax losses and capital losses carried forward, amounting to \$5,809,372 have not been recognised at 30 June 2010 (2009: \$5,742,625).

In the directors opinion there is probability of sufficient future profitability so as to realise the value of deferred tax assets. However due to the previous trading performance 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.

4 Discontinued operations

The Consolidated Group finalised the amount of the post completion payment in relation to the sale of the Network Services division in 2008 and received the balance of the sale consideration due under the contract. Profit from discontinued operations in the current year of \$82,000 comprises writeback of related warranty and debt provisions (2009: \$293,275 consists of the additional profit on sale of the division of \$131,754 and debts recovered of \$161,521).

	2010 \$	2009 \$
5 Cash and cash equivalents		
Cash at bank and in hand	406,853	233,686
6 Inventories		
Raw materials	1,085,003	384,240
Work In Progress	131,177	926,535
Finished Goods	600,501	409,565
	1,816,681	1,720,340

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

						2010 \$	2009 \$
7 Trade and other receivables							
(a) Current							
Trade receivables						666,797	592,258
Less: Provision for impairment						-	(22,000)
						666,797	570,258
Other receivables and prepayments						290,397	232,791
Rental security deposit						80,156	47,531
						1,037,350	850,580
(b) Ageing reconciliation	Gross amount	Within trade terms	Past due but not impaired (days overdue)				Past due & impaired
			31 - 60	61 - 90	90+		
2010							
<u>Current</u>							
Trade receivables	666,797	456,089	160,888	-	49,820	-	-
Other receivables	290,397	290,397	-	-	-	-	-
Rental security deposit	80,156	80,156	-	-	-	-	-
2009							
<u>Current</u>							
Trade receivables	592,258	305,478	183,195	58,074	23,511	22,000	-
Other receivables	232,791	232,791	-	-	-	-	-
Rental security deposit	47,531	47,531	-	-	-	-	-
(c) Provision for Impairment Reconciliation						2010 \$	2009 \$
Opening balance						(22,000)	(145,445)
Writeback of provision						22,000	48,983
Amounts written off against provision						-	28,056
Debt collections						-	46,406
						-	(22,000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
8 Plant and equipment		
Office furniture and equipment - at cost	318,604	95,415
Less: Accumulated depreciation and impairment	(81,721)	(61,870)
	<u>236,883</u>	<u>33,545</u>
Computer and test equipment - at cost	185,473	153,988
Less: Accumulated depreciation and impairment	(124,613)	(87,923)
	<u>60,860</u>	<u>66,065</u>
Rental equipment - at cost	216,212	212,886
Less: Accumulated depreciation and impairment	(162,754)	(115,341)
	<u>53,458</u>	<u>97,545</u>
Total plant and equipment	<u>351,201</u>	<u>197,155</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 2008	43,867	98,413	139,394	281,674
Additions	4,670	15,460	5,096	25,226
Disposals	(1,886)	(8,204)	(529)	(10,619)
Depreciation expense	(13,106)	(39,604)	(46,416)	(99,126)
Impairment	-	-	-	-
Balance at 30 June 2009	<u>33,545</u>	<u>66,065</u>	<u>97,545</u>	<u>197,155</u>
Additions	226,225	34,846	3,326	264,397
Disposals	(164)	-	-	(164)
Depreciation expense	(22,553)	(37,373)	(47,413)	(107,339)
Depreciation capitalised in Development Costs (Note 9)	(170)	(2,678)	-	(2,848)
Impairment	-	-	-	-
Balance at 30 June 2010	<u>236,883</u>	<u>60,860</u>	<u>53,458</u>	<u>351,201</u>

	2010 \$	2009 \$
9 Intangible assets		
Development costs capitalised		
Cost	764,590	-
Accumulated amortisation and impairment	-	-
	<u>764,590</u>	<u>-</u>

10 Trade and other payables

Current

Trade payables and accruals	887,075	768,777
Deferred income	91,992	35,247
	<u>979,067</u>	<u>804,024</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
11 Other financial liabilities		
Current		
Bank overdraft	776,697	492,162
Secured advances under contract	1,420,994	-
Unsecured other loans	13,014	22,337
	<u>2,210,705</u>	<u>514,499</u>
Non Current		
Secured convertible notes	1,450,000	1,450,000
Unsecured other loans	300,000	300,000
	<u>1,750,000</u>	<u>1,750,000</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 convertible notes

At 30 June 2010 convertible notes with a face value of \$1,450,000 were outstanding on the following terms:

- Maturity date	July 2013
- Conversion price	\$0.0045
- Interest rate	8%
- Potential ordinary shares on conversion	322,222,222

Note holders were issued with 43,500,000 options to subscribe for shares in the Company at an exercise price of \$0.006. These options vested immediately and expire on 1 July 2014.

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

Secured advances under contract

During the year the Company received advances under a contract with Inmarsat PLC of \$1,420,994 (inclusive of foreign exchange movement to 30 June 2010) to develop and begin the manufacture of docking units compatible with the Inmarsat hand held satellite phone. These advances are secured by a charge over the Intellectual Property developed under the agreement, are non-interest bearing and are to be repaid as a percentage of the sales proceeds of the docking units.

12 Provisions

Current		
Employee benefits	243,318	319,228
Warranty costs	20,000	100,000
	<u>263,318</u>	<u>419,228</u>
Non current		
Employee benefits	<u>37,131</u>	<u>45,938</u>

(a) Movements in provisions for the year ended 30 June 2010

	Employee benefits	Warranty costs	Total
Balance at the beginning of the year	365,166	100,000	465,166
Additional provisions	228,982	-	228,982
Amounts used	(313,699)	-	(313,699)
Provision written back	-	(80,000)	(80,000)
Balance at the end of the year	<u>280,449</u>	<u>20,000</u>	<u>300,449</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
13 Issued capital		
Issued and paid up capital:		
Ordinary fully paid shares	19,869,935	19,869,935

The Company has 657,906,777 ordinary shares on issue at 30 June 2010 (2009: 657,906,777).

No movements in issued and paid up ordinary share capital of the Company occurred during the year.

(a) Options over issued capital

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2010 is 134,906,250 (2009: 132,566,250), of which 43,500,000 (2009: 41,160,000) were issued to employees under the Company's Share Option Incentive Plan. Refer Note 18: Share Based Payments for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

The balance of 91,406,250 (2009: 91,406,250) options outstanding were issued to investors in addition to subscriptions for convertible notes.

(b) Convertible notes

The total number of potential ordinary shares attributable to convertible notes outstanding at 30 June 2010 is 322,222,222. Refer Note 11 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 2010 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14 Financial instruments

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

- cash assets;
- receivables;
- payables;
- deposits;
- borrowings, including loans and secured 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.
- 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 fair value interest rate risk.

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

Financial Instrument Composition and Maturity:

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

	Floating Interest	Fixed Interest maturing 1 yr	Fixed Interest maturing 2-5 yrs	Weighted Average Interest Rate	Non-Interest bearing	TOTAL
2010						
<u>Financial asset</u>						
Cash assets	406,853	-	-	1.34%	-	406,853
Receivables	-	-	-		1,037,350	1,037,350
TOTAL	406,853	-	-		1,037,350	1,444,203
 <u>Financial liability</u>						
Payables	-	-	-		979,067	979,067
Secured convertible notes	1,450,000	-	-	8.00%	-	1,450,000
Bank overdraft	776,697	-	-	10.17%	-	776,697
Sec'd advances under contract	-	-	-		1,420,994	1,420,994
Unsecured other loans	-	-	300,000	15.00%	13,014	313,014
TOTAL	2,226,697	-	300,000		2,413,075	4,939,772
 2009						
<u>Financial asset</u>						
Cash assets	233,686	-	-	1.83%	-	233,686
Receivables	-	-	-		850,580	850,580
TOTAL	233,686	-	-		850,580	1,084,266
 <u>Financial liability</u>						
Payables	-	-	-		804,024	804,024
Secured convertible notes	1,450,000	-	-	8.00%	-	1,450,000
Bank Overdraft	492,162	-	-	9.45%	-	492,162
Unsecured other loans	-	-	300,000	15.00%	22,337	322,337
TOTAL	1,942,162	-	300,000		826,361	3,068,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

14 Financial instruments (continued)

(b) Foreign currency risk management

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Consolidated Group conducts certain 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.

Due to the offsetting nature of foreign currency revenue, transactions and loan repayments, the Consolidated Group's foreign currency risks are not considered material and therefore no sensitivity analysis has been provided.

(c) Credit risk management

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

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

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

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

(d) Liquidity risk management

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

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

To help reduce these risks the Consolidated Group:

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

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

	< 1 Year	1 - 5 Years	Total contractual cash flows	Carrying amount
2010				
<u>Asset class</u>				
Cash and cash equivalents	406,853	-	406,853	406,853
Receivables	957,194	80,156	1,037,350	1,037,350
Payables	(979,067)	-	(979,067)	(979,067)
Other financial liabilities	(2,210,705)	(1,750,000)	(3,960,705)	(3,960,705)
Net maturities	<u>(1,825,725)</u>	<u>(1,669,844)</u>	<u>(3,495,569)</u>	<u>(3,495,569)</u>
2009				
<u>Asset class</u>				
Cash and cash equivalents	233,686	-	233,686	233,686
Receivables	803,049	47,531	850,580	850,580
Payables	(804,024)	-	(804,024)	(804,024)
Other financial liabilities	(514,499)	(1,750,000)	(2,264,499)	(2,264,499)
Net maturities	<u>(281,788)</u>	<u>(1,702,469)</u>	<u>(1,984,257)</u>	<u>(1,984,257)</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 2010

15 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:

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Not later than one year	133,176	3,264	133,176	3,264
Later than one year but not later than five years	520,902	1,632	520,902	1,632
Later than five years	-	-	-	-
	<u>654,078</u>	<u>4,896</u>	<u>654,078</u>	<u>4,896</u>

During the year the parent entity entered into a non-cancellable commercial lease over minor office equipment with a 4 year term. The previous lease over office equipment which had 1 year remaining was rolled into the current lease at no cost.

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.

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Capital expenditure commitments				
<u>Capital expenditure projects</u>				
Not longer than 1 year	235,400	-	235,400	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	<u>235,400</u>	<u>-</u>	<u>235,400</u>	<u>-</u>

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 2010

	2010 \$	2009 \$
16 NOTES TO THE STATEMENTS OF CASH FLOWS		
(a) Reconciliation of profit / (loss) after income tax benefit to net cash inflow from operating activities		
Profit / (Loss) after tax	(369,069)	634,280
<i>Non Cash flows in profit / (loss):</i>		
Depreciation	107,339	99,125
Profit on sale of Network Services division	-	(131,754)
Net loss on disposal of plant and equipment	-	10,620
Unrealised foreign currency net losses	83,670	-
Movement in provision for stock obsolescence	(42,000)	102,000
Movement in provision for bad and doubtful debts	(22,000)	(123,445)
Movement in provision for warranty costs	(80,000)	(20,000)
Share options expensed	37,451	68,190
<i>Changes in assets and liabilities:</i>		
Increase / (decrease) in provisions	(84,717)	(72,251)
Increase / (decrease) in trade and other payables	145,267	(1,367,029)
(Increase) / decrease in trade and other receivables	(114,099)	233,353
(Increase) / decrease in inventory	(54,341)	(138,220)
Net cash from operating activities	(392,499)	(705,131)
(b) Reconciliation of cash		
Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to items in the Consolidated Statement of Financial Position as follows:		
Cash and cash equivalents (Note 5)	406,853	233,686
Bank overdraft (Note 11)	(776,697)	(492,162)
	(369,844)	(258,476)

(c) Non cash financing and investing activities

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

(d) Facilities

The Consolidated Group has had in place an overdraft facility with National Australia Bank with a limit of \$1,000,000.

Bank guarantee facilities of the Consolidated Group total \$92,000 of which \$50,000 has been allocated to a subsidiary company and \$42,000 to the parent. The \$50,000 allocated to the subsidiary company was unused at 30 June 2010.

The Consolidated Group did not meet all of the covenants required under its banking facility arrangements during the year. However subsequent to 30 June 2010 the Consolidated Group has negotiated the continuation of arrangements for the provision of overdraft facilities of \$1,000,000 and leasing and guarantee facilities of \$92,000 with the Consolidated Group's bankers, subject to the company lodging a deposit with the bank of \$500,000 by 31 August 2010 which has occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

17 Key management personnel disclosures

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration for each key management person of the Consolidated Group.

(a) Compensation by category

	2010 \$	2009 \$
Short-term employee benefits	511,632	600,849
Post-employee benefits	40,257	40,257
Other long-term benefits	16,582	12,227
Termination benefits	-	-
Share-based payments	14,170	43,548
	<u>582,641</u>	<u>696,881</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.

2010	Balance 1.07.09	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.10	Total Vested 30.06.10	Exer- cisable 30.06.10	Unexer- cisable 30.06.10
Directors									
A Bigum	8,437,500	-	-	-	-	8,437,500	8,437,500	8,437,500	-
M Capocchi	45,687,500	-	-	-	(2,750,000)	42,937,500	41,937,500	41,937,500	1,000,000
J McCormack	2,812,500	-	-	-	-	2,812,500	2,812,500	2,812,500	-
Other									
D Payne	5,906,250	2,750,000	-	-	(2,250,000)	6,406,250	6,406,250	6,406,250	-
Total	<u>62,843,750</u>	<u>2,750,000</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>60,593,750</u>	<u>59,593,750</u>	<u>59,593,750</u>	<u>1,000,000</u>

2009	Balance 1.07.08	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.09	Total Vested 30.06.09	Exer- cisable 30.06.09	Unexer- cisable 30.06.09
Directors									
A Bigum *	1,312,500	-	7,125,000	-	-	8,437,500	8,437,500	8,437,500	-
M Capocchi	33,218,750	-	12,468,750	-	-	45,687,500	39,062,500	39,062,500	6,625,000
J McCormack	1,312,500	-	1,500,000	-	-	2,812,500	2,812,500	2,812,500	-
Other									
D Payne	2,906,250	1,500,000	1,500,000	-	-	5,906,250	5,093,750	5,093,750	812,500
Total	<u>38,750,000</u>	<u>1,500,000</u>	<u>22,593,750</u>	<u>-</u>	<u>-</u>	<u>62,843,750</u>	<u>55,406,250</u>	<u>55,406,250</u>	<u>7,437,500</u>

* The option holding of Mr A P Bigum at 30.06.09 was incorrectly shown as 7,781,250 in the 2009 Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

17 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.

2010	Balance 1.07.09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.10
Directors					
Mr A P Bigum	12,866,000	-	-	-	12,866,000
Mr M Capocchi	-	-	-	-	-
Mr J G McCormack	4,277,778	-	-	3,045,521	7,323,299
Other					
Mr D Payne	8,369,778	-	-	1,653,915	10,023,693
	<u>25,513,556</u>	<u>-</u>	<u>-</u>	<u>4,699,436</u>	<u>30,212,992</u>
2009	Balance 1.07.08	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.09
Directors					
Mr A P Bigum	12,866,000	-	-	-	12,866,000
Mr M Capocchi	-	-	-	-	-
Mr J G McCormack	1,500,000	-	-	2,777,778	4,277,778
Other					
Mr D Payne	100,000	-	-	8,269,778	8,369,778
	<u>14,466,000</u>	<u>-</u>	<u>-</u>	<u>11,047,556</u>	<u>25,513,556</u>

*Net Change Other refers to shares purchased or sold on-market or off-market at current market prices during the financial year, or in 2009 purchased through the Company's Share Purchase Plan.

(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.

2010	Balance 1.07.09	No.	Notes issued Total Face Value \$	Notes Cancelled	No.	Balance 30.06.10 Total Face Value \$
Directors						
Mr A P Bigum	6	-	-	-	6	150,000
Mr M Capocchi	14	-	-	-	14	350,000
Mr J G McCormack	2	-	-	-	2	50,000
Other						
Mr D Payne	2	-	-	-	2	50,000
	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>600,000</u>
2009	Balance 1.07.08	No.	Notes issued Total Face Value \$	Notes Cancelled	No.	Balance 30.06.09 Total Face Value \$
Directors						
Mr A P Bigum	2	10	250,000	6	6	150,000
Mr M Capocchi	11	17	425,000	14	14	350,000
Mr J G McCormack	2	2	50,000	2	2	50,000
Other						
Mr D Payne	1	2	50,000	1	2	50,000
	<u>16</u>	<u>31</u>	<u>775,000</u>	<u>23</u>	<u>24</u>	<u>600,000</u>

Refer Note 11 for details of the Convertible Note Agreement.

(e) Loans and transactions

There were no loans to or transactions with key management personnel or their personally related parties other than described in this Note for the year ended 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

18 Share based payments

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

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

(a) The following share based payment arrangements existed at 30 June 2010:

- (i) 1,250,000 options were granted on 17 May 2004 to key employees with an expiry date of 31 December 2009 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 1 July 2004, 2005 and 2006, and were exercisable at \$0.02 per share (Issue WRR29).

500,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 750,000 of these options expired.

None of these options are outstanding as at 30 June 2010.

- (ii) 1,712,500 options were granted on 1 July 2004 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 July 2009 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 25% tranches on 1 July 2004, 2005, 2006 and 2007, and were exercisable at \$0.035 per share (Issue WRR25).

1,562,500 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 150,000 of these options expired.

None of these options are outstanding as at 30 June 2010.

- (iii) 4,000,000 options were granted on 19 August 2004 to key employees with an expiry date of 31 December 2009 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 31 December 2004, 2005 and 2006 and were exercisable at \$0.05 per share (Issue WRR26).

1,333,333 of these options were exercised and 666,667 lapsed prior to 30 June 2009.

During the financial year ended 30 June 2010, 2,000,000 of these options expired.

None of these options are outstanding as at 30 June 2010.

- (iv) 1,850,000 options were granted on 10 March 2006 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 July 2011 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 December 2005, 2006, 2007 and 2008, and were exercisable at \$0.025 per share (Issue WRR30).

Due to late grant date, vesting of 25% on 1 December 2005 was effective upon grant date and expiry date was deferred until 1 July 2011.

850,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 500,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

500,000 of these options are outstanding as at 30 June 2010.

- (v) 1,000,000 options were granted on 10 March 2006 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 July 2011 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 25% tranches on 1 June 2006, 2007, 2008 and 2009, and were exercisable at \$0.02 per share (Issue WRR31a).

450,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 300,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

250,000 of these options are outstanding as at 30 June 2010.

- (vi) 5,000,000 options were granted on 20 April 2006 to key employees with an expiry date of 1 July 2011 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 1 July 2006, 2007 and 2008, and were exercisable at \$0.02 per share (Issue WRR31c).

4,000,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 1,000,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

None of these options are outstanding as at 30 June 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

18 Share based payments (continued)

The following share based payment arrangements existed at 30 June 2010 (continued):

- (vii) 1,000,000 options were granted on 8 August 2006 to a key employee with an expiry date of 21 August 2011 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 1 April 2007, 2008 and 2009, and were exercisable at \$0.04 per share (Issue WRR32).

During the financial year ended 30 June 2010, 1,000,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

None of these options are outstanding as at 30 June 2010.

- (viii) 3,300,000 options were granted on 29 October 2006 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 29 October 2011 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 November 2007, 2008, 2009 and 2010, and are exercisable at \$0.025 per share (Issue WRR33).

1,290,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 1,010,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

1,000,000 of these options are outstanding as at 30 June 2010.

- (ix) 10,000,000 options were granted on 20 September 2007 to the Acting Chief Executive Officer (appointed Managing Director on 20/03/08) as set out under a contract of employment dated 5 September 2007. These options are exercisable from 30 September 2007 at \$0.02 per share, expiring 30 September 2012 (Issue WRR34).

10,000,000 of these options are outstanding as at 30 June 2010.

- (x) 5,000,000 options were granted on 20 September 2007 to the Acting Chief Executive Officer (appointed Managing Director on 20/03/2008) as set out under a contract of employment dated 5 September 2007. These options are exercisable from 30 September 2008 at \$0.025 per share, expiring 30 September 2012 (Issue WRR35).

5,000,000 of these options are outstanding as at 30 June 2010.

- (xi) 5,000,000 options were granted on 20 September 2007 to the Acting Chief Executive Officer (appointed Managing Director on 20/03/2008) as set out under a contract of employment dated 5 September 2007. These options are exercisable from 30 September 2009 at \$0.03 per share, expiring 30 September 2012 (Issue WRR36).

5,000,000 of these options are outstanding as at 30 June 2010.

- (xii) 6,300,000 options were granted on 2 May 2008 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 May 2013 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 May 2009, 2010, 2011 and 2012, and are exercisable at \$0.025 per share (Issue WRR37).

1,400,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 3,400,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

1,500,000 of these options are outstanding as at 30 June 2010.

- (xiii) 7,800,000 options were granted on 23 December 2008 to key employees with an expiry date of 31 December 2013 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 23 December 2008 at \$0.0065 per share (Issue WRR44).

7,800,000 of these options are outstanding as at 30 June 2010.

- (xiv) 12,450,000 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 \$0.0065 per share (Issue WRR46).

12,450,000 of these options are outstanding as at 30 June 2010.

- (b) The Consolidated Group sold its Network Services division on 11 March 2008 as detailed in Note 4. All staff employed by the Consolidated Group in this division were transferred to the purchaser. Under the employee transfer agreement, the expiry date of options previously issued to these employees was extended to 28 February 2009. All of these options subsequently lapsed on 28 February 2009 as noted in (ii), (iv), (v), (viii) and (xii) above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

18 Share based payments (continued)

- (c) 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:

	2010		2009	
	No.	WAEP \$	No.	WAEP \$
Outstanding at the beginning of the financial year	41,160,000	0.022	37,550,000	0.026
Granted during the financial year	12,450,000	0.007	7,800,000	0.007
Lapsed during the financial year	-	-	(4,190,000)	0.026
Cancelled during the financial year	(7,210,000)	0.026	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	(2,900,000)	0.042	-	-
Outstanding at the end of the financial year	43,500,000	0.016	41,160,000	0.022
Exercisable at the end of the financial year	42,500,000	0.012	31,480,000	0.021

Notes to Share Based Payments

- (i) The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 3.02 years (2009: 3.21 years)
- The range of exercise prices for options outstanding at the end of the year was \$0.0065 - \$0.0300 (2009: \$0.0065 - \$0.0500)

The weighted average fair value of options granted during the year was \$0.0024 (2009: \$0.0021)

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 Black Scholes option valuation method taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the Black-Scholes model used for the valuation of options issued for year ended 30 June 2010.

	Notes	
Grant date		30/09/2009
No. of options granted		12,450,000
Weighted average share price at grant date (\$)		0.0053
Option exercise price (\$)		0.0065
Expected volatility (%)	18c(ii)	80
Expected life of option (years)		3.66
Dividend yield (%)	18c(iii)	-
Risk-free interest rate (%)		5.20

- (ii) The expected volatility of the share price representing a measure of uncertainty of return was evaluated using the data generated by The Australian Graduate School of Management Centre for Research based upon historical volatility and consideration of future volatility factors.
- (iii) The Company does not have a history of paying dividends and the valuation of options issued is based on the assumption that no dividends will be paid during the currency of the options.
- (iv) Included under employee benefits expense in the Statement of Comprehensive Income is \$37,451 (2009: \$68,190), and relates, in full, to equity-settled share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
19 Related party transactions		
Secretarial fees paid to McCormack & Partners Advisory Pty Ltd, a company related to Mr J G McCormack, a director of the Company.	6,252	25,006
There were no other related party transactions during the year ended 30 June 2010.		
20 Remuneration for auditors		
Remuneration of the Auditor of the Consolidated Group for auditing or reviewing financial reports	57,342	67,324
21 Earnings per share		
	cents	cents
Overall operations		
Basic earnings per share	(0.06)	0.10
Diluted earnings per share	(0.06)	0.06
Continuing operations		
Basic earnings per share	(0.07)	0.05
Diluted earnings per share	(0.07)	0.03
Discontinued operations		
Basic earnings per share	0.01	0.05
	No.	No.
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	657,906,777	628,442,754
Potential Ordinary Shares attributable to options outstanding at year end	134,906,250	132,566,250
Potential Ordinary Shares attributable to convertible notes outstanding at year end	322,222,222	322,222,222
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings per share	1,115,035,249	1,083,231,226
	\$	\$
Overall operations		
Earnings used in the calculation of Basic and Diluted Earnings Per Share	(369,069)	634,280
Continuing operations		
Earnings from continuing operations used in the calculation of Basic and Diluted Earnings Per Share	(451,069)	341,005
Discontinued operations		
Earnings from discontinued operations used in the calculation of Basic Earnings Per Share	82,000	293,275
Dilutive Earnings Per Share		
Due to losses incurred during the 2010 financial year all Potential Ordinary Shares that could potentially dilute basic earnings per share in the future were considered to be antidilutive and therefore not included in a calculation of diluted earnings per share. Accordingly basic and diluted earnings per share equate.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

22 Segment reporting

(a) Sole operating segment

The Consolidated Group has identified its sole operating segment 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 and services.

Revenue and results are fully disclosed in the Consolidated Statement of Comprehensive Income for the 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

	2010		2009	
	\$	%	\$	%
Sales by country				
Australia	4,108,290	52.60%	3,719,223	40.77%
United States of America	1,159,703	14.85%	2,311,611	25.34%
Japan	919,437	11.77%	1,171,770	12.85%
Other foreign countries	1,622,295	20.77%	1,918,852	21.04%
	<u>7,809,725</u>	<u>100.00%</u>	<u>9,121,456</u>	<u>100.00%</u>

(c) Major customers

The Consolidated Group has a number of customers to whom it provides both products and services. The Consolidated Group supplies a single customer in Australia accounting for 32% of external revenue (2009: 22%), and in Japan 12% (2009: USA 7%) of external revenue. The next most significant customer accounts for 6% of external revenue.

23 Events after reporting date

Director share options

On 4 August 2010 the Company announced its proposal to grant Directors 18,000,000 options to subscribe for shares, exercisable at \$0.0125. These options would be exercisable by 31 December 2015 and are subject to shareholder approval at the next Annual General Meeting of the company.

24 Parent company disclosures

(a) Statement of Comprehensive Income

	2010 \$	2009 \$
Profit / (Loss) from continuing operations	(338,449)	(356,414)
Profit from discontinuing operations including profit on sale of discontinuing operations	<u>82,000</u>	<u>293,275</u>
Profit / (Loss) for the year attributable to owners of the Company	(256,449)	(63,139)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to owners of the Company	<u>(256,449)</u>	<u>(63,139)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

24 Parent company disclosures (continued)

(b) Statement of Financial Position

Assets		
Current assets	311,942	212,469
Non-current assets	297,743	100,616
Total assets	609,685	313,085
Liabilities		
Current liabilities	3,033,473	2,509,068
Non-current liabilities	1,787,131	1,795,938
Total liabilities	4,820,604	4,305,006
Net assets / (deficiency of net assets)	(4,210,919)	(3,991,921)
Equity		
Issued capital	19,869,935	19,869,935
Reserves	299,174	395,938
Accumulated losses	(24,380,027)	(24,257,793)
Total equity	(4,210,919)	(3,991,921)

(c) Guarantees

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

(d) Contingent liabilities

Refer to Note 15 for details of contingent liabilities of the parent company.

(e) Contractual commitments

Refer to Note 15 for details of contractual commitments of the parent company for the acquisition of property, plant and equipment.

25 Controlled entities

	Incorporated	Share class	Holding	
Investments in unquoted corporations being controlled entities:			2010	2009
Beam Communications Pty Ltd	Australia	Ordinary	100%	100%
Telenet Rentals Pty Ltd	Australia	Ordinary	100%	100%
World Reach Communications Pty Ltd (Dormant)	Australia	Ordinary	100%	100%
Pacarc (PNG) Limited (Dormant)	Papua New Guinea	Ordinary	100%	100%

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 18 to 43 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company and consolidated group;
2. the Chief Finance Officer has declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view; 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.
3. in the directors' 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 is made in accordance with a resolution of the Board of Directors on 30th September 2010.



Mr Anthony Peter Bigum
Chairman

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

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
WORLD REACH LIMITED**

We have audited the accompanying financial report of World Reach Limited and controlled entities. The financial report comprises the consolidated statement of financial position as at 30 June 2010, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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.

Director's Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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 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 judgment, including the assessment of the risks of material misstatement in 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 opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

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

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
WORLD REACH LIMITED**

Auditor's 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 company's and consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material uncertainty regarding going concern

Without qualification to the opinion expressed above, attention is drawn to the matters set out in Note 1 (ii) to the financial statements – Going Concern.

World Reach Limited incurred a loss for the year ended 30 June 2010 of \$369,069 after including a gain from write back of provisions relating to a discontinued business of \$82,000 (profit of \$634,280 in 2009 after including a profit from a discontinued business and the sale of that business of \$293,275).

At 30 June 2010, the Group had a net asset deficiency of \$863,546 (2009 net deficiency of \$531,928). Current liabilities exceeded current assets by \$192,206 (current assets exceeded current liabilities by \$1,066,855 in 2009). The Group had a negative cash flow during the year of \$111,368 (negative cash flow of \$541,023 in 2009) and a negative cash flow from operations of \$392,499 (negative cash flow from operations of \$705,131 in 2009).

These conditions indicate the existence of a material uncertainty about the Group's ability to continue as a going concern.

Forecasts approved by the Directors indicate that the Group will be able to generate sufficient positive cash flows to meet its financial obligations and realise its assets and extinguish its liabilities in the normal course of business by obtaining additional sources of funding and achieving forecast sales.

The Group's cash flow forecasts have been prepared on the basis of the following assumptions:

- Receiving loans from Inmarsat PLC totalling \$2,192,426 subsequent to 30 June 2010 on completion of agreed milestones. These milestones have been satisfied and the Group has received a further loan amount of \$1,286,196 up to 30 September 2010 and will receive a final loan amount of \$906,230 by 30 December 2010.
- A successful share purchase plan in 2011 raising not less than \$300,000.
- Meeting all finance facility covenants and having the on going support of financiers.
- A continuation of existing economic conditions and exchange rates.
- Sales of existing products at levels achieved in the year ended 30 June 2010 and significant additional sales of new products developed for release with new handheld satellite phones from September 2010.

The going concern basis may not be appropriate if forecast sales of existing and new products are not achieved; loans to design, develop, market and build up inventory of new products are not received; shareholders or financiers do not provide ongoing support; and alternative sources of finance, if required, cannot be obtained.

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

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
WORLD REACH LIMITED**

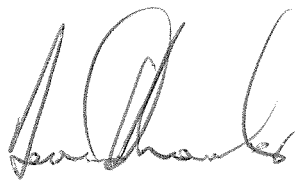
If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly from those reflected in the Statement of Financial Position.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 8 of the directors' report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of World Reach Ltd and controlled entities for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



D A KNOWLES

Partner

30 September 2010



PITCHER PARTNERS

Melbourne

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

As at 31 August 2010.

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

TWENTY LARGEST SHAREHOLDERS

	Number	% of Class
KILLARNEY PROPERTIES P/L	121,224,436	18.43%
BARRIOS PTY LTD	17,696,943	2.69%
W&K ASSOCIATES PTY LTD	14,000,000	2.13%
BIOTEC INTERNATIONAL P/L	12,866,000	1.96%
YUEJIN LI & DAVID SHUO LI	12,600,000	1.92%
KEACO CORPORATION P/L	10,655,404	1.62%
LILY YAN HONG LI	10,607,093	1.61%
HOTTON FAMILY	10,595,000	1.61%
DENNIS FRANK PAYNE	10,023,693	1.52%
TIM DON NOMINEES PTY LTD	10,000,000	1.52%
VALUTECH PTY LTD	9,130,701	1.39%
DANE W REID & GAVIN J REID	8,857,278	1.35%
JUDD FERGUSON	8,637,431	1.31%
MIDDENDORP ELECTRIC CO P/L	7,959,687	1.21%
MAKORMAK INVESTMENTS P/L	7,323,299	1.11%
ORANGE SUN INVESTMENTS LTD	7,224,951	1.10%
VECVIN CORPORATION PTY LTD	6,875,000	1.04%
JBD ENTERPRISES PTY LTD	6,730,000	1.02%
GALVIN DURWARD	6,600,000	1.00%
PAUL STOCKER	6,600,000	1.00%
TOTAL TOP 20:	306,206,916	46.54%
TOTAL ISSUED:	657,906,777	100.00%

HOLDERS OF EACH CLASS OF EQUITY SECURITY

The company has issued:

- 657,906,777 ordinary fully paid shares to 763 shareholders.
- 134,906,250 options to subscribe for ordinary shares to 30 option holders.
- 58 secured notes convertible into 322,222,190 shares to 15 note holders.

VOTING RIGHTS

There are 657,906,777 ordinary fully paid shares held by 763 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. In a poll, the vote is determined pro-rata to the amount paid up, if shares are paid up to different amounts.

SUBSTANTIAL SHAREHOLDERS

	Number of Shares	% of Class
KILLARNEY PROPERTIES PTY LTD	121,224,436	18.43%

In addition to the above shareholding, Killarney holds 10 secured notes convertible into 55,555,550 shares and options to subscribe for 14,062,500 shares.

DISTRIBUTION OF SHARES

Size of Holdings	Number of Holders	Number of Shares	%
1 to 1,000	19	4,383	.00%
1,001 to 5,000	45	134,903	.02%
5,001 to 10,000	35	279,571	.04%
10,001 to 100,000	212	10,931,584	1.66%
100,001 and over	452	646,556,336	98.28%
TOTAL	763	657,906,777	100.00%

HOLDERS OF LESS THAN A MARKETABLE PARCEL OF QUOTED ORDINARY SHARES

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted Shares
275	36.04%	7,750,441	1.18%

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

W: 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

W: www.beamcommunications.com