

22 February 2011

The Manager  
Company Announcements Platform  
Australian Securities Exchange

Appendix 4D – Half Year Report

The Company encloses the Appendix 4D – Half Year Report for the six months ended 31 December 2010.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Dennis Payne', with a stylized flourish at the end.

Dennis Payne  
Company Secretary

**WORLD REACH LIMITED**  
**ABN 39 010 568 804**

**Appendix 4D**  
**Half Year Report**  
**Half Year ended 31 December 2010**

The information contained in this Appendix 4D should be read in conjunction with the most recent Annual Report covering the financial year ending 30 June 2010.

## 1. Reporting periods

|                                |                                   |
|--------------------------------|-----------------------------------|
| Current reporting period       | Half year ended 31 December 2010  |
| Previous corresponding periods | Half year ended 31 December 2009  |
|                                | Financial year ended 30 June 2010 |

## 2. Results for announcement to the market

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | \$A                                              |                                                  |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|
| 2.1 | Revenues from continuing activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Down 10.59% to                                   | 3,661,529                                        |
|     | Revenues from discontinuing activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Down 100.00% to                                  | Nil                                              |
|     | Total Revenue                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Down 11.073% to                                  | 3,661,529                                        |
| 2.2 | Profit from ordinary activities after tax attributable to members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Loss of 122,927 half year ended 31 December 2009 | Loss of 490,606 half year ended 31 December 2010 |
| 2.3 | Net profit for the period attributable to members                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Loss of 122,927 half year ended 31 December 2009 | Loss of 490,606 half year ended 31 December 2010 |
| 2.4 | Dividends (distributions)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Amount per security                              | Franked amount per security                      |
|     | Final dividend                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | NIL ¢                                            | NIL ¢                                            |
|     | Interim dividend                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | NIL ¢                                            | NIL ¢                                            |
|     | Previous corresponding period:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                  |                                                  |
|     | Final dividend                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | NIL ¢                                            | NIL ¢                                            |
|     | Interim dividend                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | NIL ¢                                            | NIL ¢                                            |
| 2.5 | Record date for determining entitlements to the dividend                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | N/A                                              |                                                  |
| 2.6 | EXPLANATION<br><br>The volume of Iridium based sales was lower than 2009/10 due to shortages of Iridium handsets and customers delaying purchases following the announced release of Inmarsat products. Beam was not able to complete delivery of all back orders for Inmarsat docking units by 31 December. The A\$-US\$ exchange rate continued at high levels which further reduced sales denominated in US\$ which adversely impacted gross profit margins. The lower gross profit was partially offset by unrealised foreign currency conversion gains. |                                                  |                                                  |

### 3. Net Tangible Assets per security

|                                  | 31 December 2010<br>Cents per share | 30 June 2010<br>Cents per share |
|----------------------------------|-------------------------------------|---------------------------------|
| Net tangible assets per security | (0.4228) ¢                          | (0.2475) ¢                      |

### 4. Details of entities over which control has been gained or lost during the period:

|     |                                                                                                                                                                                                                                                                 |                |                               |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------------------|
| 4.1 | Name of the entity.                                                                                                                                                                                                                                             | N/A            |                               |
| 4.2 | The date of the gain or loss of control.                                                                                                                                                                                                                        | N/A            |                               |
| 4.3 | Where material to an understanding of the report – the contribution of such entities to the reporting entity’s profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period. | Current period | Previous corresponding Period |
|     |                                                                                                                                                                                                                                                                 | N/A            | N/A                           |

### 5. Individual and Total Dividend or Distribution Payments

| Dividend or distribution payments: | Amount | Date on which each dividend or distribution is payable | Amount per security of foreign sourced dividend or distribution (if known) |
|------------------------------------|--------|--------------------------------------------------------|----------------------------------------------------------------------------|
| N/A                                | N/A    | N/A                                                    | N.A                                                                        |
| <b>Total</b>                       |        |                                                        |                                                                            |

### 6. Dividend or Distribution Reinvestment Plans

N/A

## 7. Details of associates and joint venture

| Name of entity | % Holding | Aggregate Share of profit (losses) |                               | Contribution to net profit |                               |
|----------------|-----------|------------------------------------|-------------------------------|----------------------------|-------------------------------|
|                |           | Current period                     | Previous corresponding period | Current period             | Previous corresponding period |
| N/A            |           |                                    |                               |                            |                               |

## 8. Foreign entity accounting standards

N/A

## 9. Independent review of the financial report

The financial report has been independently reviewed. Whilst the financial report is not subject to a qualified independent review statement the auditor has drawn attention to the matters set out in Note 1 to the financial statements – Going Concern.

**Signed by Chairman:**



**Name: Mr Anthony Peter Bigum**

**Date: 22 February 2011**

**World Reach Limited  
and Controlled Entities**

ABN 39 010 568 804

Half-year financial report  
for the half-year ended 31 December 2010

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

**HALF-YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2010**

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**DIRECTORS' REPORT**

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The Directors of World Reach Limited submit herewith the Condensed Consolidated Financial Report of World Reach Limited and controlled entities for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Director's report as follows:

**Directors:**

The names of the directors of the company during or since the end of the half-year are:

**Non-Executive Directors:**

Mr Anthony Peter Bigum  
Mr John Gordon McCormack

**Managing Director:**

Mr Michael Ian Capocchi

Each of the above named Directors held office at all times during and since the end of the half-year.

**Review of Operations**

The consolidated group financial results for the half-year ended 31 December 2010 and comparative results for the half-year ended 31 December 2009 are as follows:

|                                          | <b>1 July 2010<br/>to<br/>31 Dec 2010</b> | <b>1 July 2009<br/>to<br/>31 Dec 2009</b> |
|------------------------------------------|-------------------------------------------|-------------------------------------------|
| Revenue                                  | 3,661,529                                 | 4,095,217                                 |
| Operating expenses                       | <u>(3,988,257)</u>                        | <u>(4,117,509)</u>                        |
| Operating profit before interest and tax | (326,728)                                 | (22,292)                                  |
| Interest                                 | (163,878)                                 | (122,635)                                 |
| Profit from discontinued operations      | <u>-</u>                                  | <u>22,000</u>                             |
| Profit/(loss) for the period             | <u>(490,606)</u>                          | <u>(122,927)</u>                          |

The consolidated group's principal activity during half-year ended 31 December 2010 has been the development, manufacture and global distribution of satellite communication terminals, handheld phone accessories and tracking devices specifically developed for the Iridium and Inmarsat satellite networks.

During the six month period Beam Communications Pty Ltd ("Beam"), a fully owned subsidiary of World Reach Limited, completed the development of docking units and ancillary equipment for Inmarsat's recently launched handheld satellite telephone, the IsatPhone Pro. The manufacture and sale of these products commenced in late September 2010. The initial rate of sales was lower than anticipated due to delays in the release and supply of Inmarsat satellite phones and some production issues which were not resolved until December 2010. The contribution to profitability from this new source of revenue has not been significant for the six month period.

Sales of docking units and ancillary equipment for the Iridium satellite communications network during the July to September quarter were affected by reduced sales of Iridium handsets caused by component shortages and customers delaying purchases following the announcement of the release of Inmarsat products and services.

Approximately 55% of sales were denominated in US\$ and the continuing high exchange rate between the A\$ and the US\$ reduces the value of sales and gross margins. Beam has secured some price increases with effect from January 2011 to partially reduce the impact of the continuing exchange rate difficulty.

The company has also taken steps to transfer a major part of its manufacturing activities to Asia with payment to suppliers in US\$ as a partial offset of the effect of sales in US\$ and to achieve a lower unit cost base and other manufacturing efficiencies.

Beam is presently fulfilling substantial IsatPhone docking unit back orders taken prior to Christmas together with new orders received. March quarter sales of these products are expected to be on budget. The second part of a \$2m Telstra order was delivered in January and other sales of Iridium based products have also improved.

**DIRECTORS' REPORT**

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**Review of Operations (continued)**

Beam continues to work with Iridium and Inmarsat to provide solutions to the special requirements of large scale satellite communications users. New products and applications are being developed by Beam for specific industries such as the maritime sector and for tracking and alert applications.

The company's cash flow requirement to fund product development and inventory build up for the release of new products has been supported by a loan of USD\$3.18m (AUD\$3.1m) from Inmarsat which is repayable from the proceeds of future sales.

In view of the losses in the current period, the low share price and the uncertainty of investors intentions to convert or require payment on the 1 July 2011 of convertible notes (face value \$1.4m) the Directors considered it prudent to extend the maturity date of these securities to 1 July 2013.

**Significant changes in the state of affairs**

There have been no significant changes in the consolidated group's state of affairs during the period.

**Auditor's Declaration of Independence**

The auditor's independence declaration is included in the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the directors.



**Mr Anthony Bigum**  
**Chairman**  
**Signed in Melbourne, 22 February 2011**

## **AUDITOR'S INDEPENDENCE DECLARATION**

### **To the Directors of World Reach Limited**

In relation to the half-year independent review for the six months to 31 December 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.



**N R BULL**  
Partner  
22 February 2011



**PITCHER PARTNERS**  
Melbourne

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

|                                                                                                    |             | <b>Consolidated</b>    |                  |
|----------------------------------------------------------------------------------------------------|-------------|------------------------|------------------|
|                                                                                                    |             | <b>Half-year ended</b> |                  |
|                                                                                                    | <b>Note</b> | <b>31-Dec-10</b>       | <b>31-Dec-09</b> |
|                                                                                                    |             | <b>\$</b>              | <b>\$</b>        |
| <b>Continuing Operations</b>                                                                       |             |                        |                  |
| Revenue                                                                                            |             | 3,661,529              | 4,095,217        |
| Unrealised foreign currency exchange gain on foreign currency loan                                 |             | 430,438                | -                |
| Other realised and unrealised foreign currency exchange gain/(loss)                                |             | (16,402)               | (46,716)         |
| Changes in inventories of raw materials, finished goods and work in progress                       |             | 896,988                | (215,658)        |
| Raw materials, consumables and other costs of sale                                                 |             | (3,331,713)            | (2,355,209)      |
| Employee benefits expense                                                                          |             | (1,034,854)            | (990,050)        |
| Depreciation and amortisation expense                                                              |             | (193,125)              | (50,996)         |
| Finance costs expense                                                                              |             | (163,878)              | (122,635)        |
| Auditor remuneration expense                                                                       |             | (55,978)               | (28,365)         |
| Accounting, share registry and secretarial expenses                                                |             | (57,675)               | (57,236)         |
| Consultancy and contractor expense                                                                 |             | (78,602)               | (58,476)         |
| Legal and insurance expense                                                                        |             | (62,745)               | (41,284)         |
| Other expenses                                                                                     | 2           | (484,589)              | (273,518)        |
| Profit/(Loss) before income tax                                                                    |             | (490,606)              | (144,927)        |
| Income tax (expense) benefit                                                                       |             | -                      | -                |
| Profit/(Loss) from continuing operations                                                           |             | (490,606)              | (144,927)        |
| <b>Discontinued operations</b>                                                                     |             |                        |                  |
| Profit from discontinued operations                                                                |             | -                      | 22,000           |
| <b>Profit / (Loss) for the half-year attributable to owners of the Company</b>                     |             | (490,606)              | (122,927)        |
| Other comprehensive income                                                                         |             | -                      | -                |
| <b>Total comprehensive income / (loss) for the half-year attributable to owners of the Company</b> |             | <b>(490,606)</b>       | <b>(122,927)</b> |
| <b>Overall operations</b>                                                                          |             |                        |                  |
| Basic earnings per share (cents)                                                                   | 3           | (0.07)                 | (0.02)           |
| Diluted earnings per share (cents)                                                                 | 3           | (0.07)                 | (0.02)           |
| <b>Continuing operations</b>                                                                       |             |                        |                  |
| Basic earnings per share (cents)                                                                   | 3           | (0.07)                 | (0.02)           |
| Diluted earnings per share (cents)                                                                 | 3           | (0.07)                 | (0.02)           |
| <b>Discontinued operations</b>                                                                     |             |                        |                  |
| Basic earnings per share (cents)                                                                   | 3           | -                      | 0.003            |

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**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

|                                                     |             | <b>Consolidated</b> |                  |
|-----------------------------------------------------|-------------|---------------------|------------------|
|                                                     |             | <b>31-Dec-10</b>    | <b>30-Jun-10</b> |
|                                                     | <b>Note</b> | <b>\$</b>           | <b>\$</b>        |
| <b>Current assets</b>                               |             |                     |                  |
| Cash and cash equivalents                           |             | 1,064,139           | 406,853          |
| Inventories                                         |             | 2,713,669           | 1,816,681        |
| Trade and other receivables                         | 4           | 1,049,867           | 1,037,350        |
| <b>Total current assets</b>                         |             | <b>4,827,675</b>    | <b>3,260,884</b> |
| <b>Non-current assets</b>                           |             |                     |                  |
| Plant and equipment                                 |             | 353,523             | 351,201          |
| Intangible assets                                   | 6           | 1,474,614           | 764,590          |
| <b>Total non-current assets</b>                     |             | <b>1,828,137</b>    | <b>1,115,791</b> |
| <b>Total assets</b>                                 |             | <b>6,655,812</b>    | <b>4,376,675</b> |
| <b>Current liabilities</b>                          |             |                     |                  |
| Trade and other payables                            |             | 1,750,331           | 979,067          |
| Other financial liabilities                         | 5           | 4,132,731           | 2,210,705        |
| Short-term provisions                               |             | 296,456             | 263,318          |
| <b>Total current liabilities</b>                    |             | <b>6,179,518</b>    | <b>3,453,090</b> |
| <b>Non-current liabilities</b>                      |             |                     |                  |
| Other financial liabilities                         | 5           | 1,750,000           | 1,750,000        |
| Long-term provisions                                |             | 33,126              | 37,131           |
| <b>Total non-current liabilities</b>                |             | <b>1,783,126</b>    | <b>1,787,131</b> |
| <b>Total liabilities</b>                            |             | <b>7,962,644</b>    | <b>5,240,221</b> |
| <b>Net assets / (deficiency of net assets)</b>      |             | <b>(1,306,832)</b>  | <b>(863,546)</b> |
| <b>Equity</b>                                       |             |                     |                  |
| Issued capital                                      |             | 19,869,935          | 19,869,935       |
| Reserves                                            |             | 344,170             | 299,174          |
| Accumulated losses                                  |             | (21,520,937)        | (21,032,655)     |
| <b>Equity attributable to owners of the Company</b> |             | <b>(1,306,832)</b>  | <b>(863,546)</b> |
| <b>Total equity</b>                                 |             | <b>(1,306,832)</b>  | <b>(863,546)</b> |

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

|                                                                           | Issued<br>capital<br>\$ | Reserves<br>\$ | Retained<br>earnings<br>(Accumulated<br>losses)<br>\$ | Total<br>equity<br>\$ |
|---------------------------------------------------------------------------|-------------------------|----------------|-------------------------------------------------------|-----------------------|
| Balance at 1 July 2009                                                    | 19,869,935              | 395,938        | (20,797,801)                                          | (531,928)             |
| Total comprehensive income attributable to owners of the Company          | -                       | -              | (122,927)                                             | (122,927)             |
| Transactions with owners in their capacity as owners                      |                         |                |                                                       |                       |
| - Remuneration based option payments                                      | -                       | 36,664         | -                                                     | 36,664                |
| - Adjustment for employee share options lapsed                            | -                       | (134,215)      | 134,215                                               | -                     |
| <b>Balance at 31 December 2009</b>                                        | <b>19,869,935</b>       | <b>298,387</b> | <b>(20,786,513)</b>                                   | <b>(618,191)</b>      |
| Balance at 1 July 2010                                                    | 19,869,935              | 299,174        | (21,032,655)                                          | (863,546)             |
| Total comprehensive income / (loss) attributable to owners of the Company | -                       | -              | (490,606)                                             | (490,606)             |
| Transactions with owners in their capacity as owners                      |                         |                |                                                       |                       |
| - Remuneration based option payments                                      | -                       | 47,321         | -                                                     | 47,321                |
| - Adjustment for employee share options lapsed                            | -                       | (2,325)        | 2,325                                                 | -                     |
| - Contributions of equity, net of transaction costs                       | -                       | -              | -                                                     | -                     |
| <b>Balance at 31 December 2010</b>                                        | <b>19,869,935</b>       | <b>344,170</b> | <b>(21,520,937)</b>                                   | <b>(1,306,832)</b>    |

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

|                                                               | <b>Consolidated</b>    |                  |
|---------------------------------------------------------------|------------------------|------------------|
|                                                               | <b>Half-year ended</b> |                  |
|                                                               | <b>31-Dec-10</b>       | <b>31-Dec-09</b> |
|                                                               | <b>\$</b>              | <b>\$</b>        |
| <b>Cash flow from operating activities</b>                    |                        |                  |
| Receipts from customers                                       | 3,807,375              | 3,520,961        |
| Payments to suppliers and employees                           | (4,437,132)            | (3,818,278)      |
| Interest received                                             | 1,392                  | 129              |
| Interest and finance charges paid                             | (163,878)              | (122,512)        |
| Export market development grant                               | -                      | 50,000           |
| <b>Net cash provided by / (used in) operating activities</b>  | <b>(792,243)</b>       | <b>(369,700)</b> |
| <b>Cash flow from investing activities</b>                    |                        |                  |
| Purchases of plant and equipment                              | (71,667)               | (55,318)         |
| Proceeds from sale of plant and equipment                     | 5,743                  | -                |
| Development costs capitalised                                 | (837,013)              | -                |
| <b>Net cash provided by / (used in) investing activities</b>  | <b>(902,937)</b>       | <b>(55,318)</b>  |
| <b>Cash flow from financing activities</b>                    |                        |                  |
| Net cash proceeds / (payments) - Other loans                  | 2,179,492              | 171,233          |
| Cash payments - Prior period share buyback                    | -                      | (8,698)          |
| <b>Net cash provided by / (used in) financing activities</b>  | <b>2,179,492</b>       | <b>162,535</b>   |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | <b>484,312</b>         | <b>(262,483)</b> |
| Cash and cash equivalents at beginning of half-year           | (369,844)              | (258,476)        |
| <b>Cash and cash equivalents at end of half-year</b>          | <b>114,468</b>         | <b>(520,959)</b> |

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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**1. Summary of significant accounting policies**

**(i) Statement of compliance**

The condensed consolidated half-year financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001 and AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS34 Interim Financial Reporting. The half-year financial report does not include notes of the type typically included in an annual financial report and should be read in conjunction with the most recent annual financial report.

**(ii) Basis of preparation**

The condensed consolidated half-year financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. All amounts are presented in Australian Dollars.

**(iii) Going concern**

The consolidated Group incurred a loss for the six months ended 31 December 2010 of \$490,606 (loss of \$122,927 in 2009).

At 31 December 2010, the Group had a net asset deficiency of \$1,306,832 (at 30 June 2010 net deficiency of \$863,546). Current liabilities exceeded current assets by \$1,351,843 (current liabilities exceeded current assets by \$192,206 at 30 June 2010).

The Group had a positive cash flow during the six month ended 31 December 2010 of \$114,468 (negative cash flow of \$520,959 in 2009) as the receipt of loans for the design and development of new products of \$2,179,492 exceeded the negative cash flow from operations of \$792,243 and capital expenditure of \$902,937.

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:

- The Group has received loans from Inmarsat PLC totalling \$3,130,721 for the design, development, marketing and inventory build up of new products. The agreement with Inmarsat provides for these loans to be repaid in six-monthly instalments commencing on 31 March 2011 with the amount of each instalment equal to a percentage of the sale of these products in the six-month period ending 30 days prior to the due date of the instalment. Inmarsat has advised the Group that it presently anticipates showing flexibility around the timing of the loan repayment if the financial position of the Group meant that insistence on immediate payment would cause significant financial difficulties. Further Inmarsat has advised that it does not presently intend to place the Group into a situation of financial distress at any point.
- The Group 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 2011 and anticipates raising not less than \$300,000.
- The Group has current banking arrangements which provide for overdraft facilities of \$1,000,000 and guarantee facilities of \$92,000. Continuation of these arrangements is subject to the Group satisfying specific covenants which are reviewed by the Bank quarterly, including lodgment with the bank of a deposit of \$500,000. The Group has satisfied these covenants to 31 December 2010 and anticipates continuing to satisfy these covenants in the future resulting in an expected continuation of the banking facilities.
- The Group is forecasting profitable trading and positive cash flows from operations for the calendar year ending 31 December 2011. The forecast trading profits and cash flows are based on a continuation of existing economic conditions and exchange rates similar to those 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 released in September 2010 and further products to be released in April 2011. Any material variation in economic conditions, exchange rates or the anticipated level of acceptance of the new products will affect the timing and amount of sales and will have a consequential effect on future profits and cash flows.

The achievement of profitable trading and positive cash flows from operations, the continuation of current banking facilities, the issue of additional share capital under a share purchase plan, the extension of the maturity date for convertible notes to July 2013 and the acceptance of a flexible loan repayment programme by Inmarsat will provide the Group with sufficient cash flows to continue as a going concern.

**(iv) Accounting Policies**

The accounting policies applied in preparing these condensed consolidated financial statements for the half-year ended 31 December 2010 are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2010.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

2 Other expenses

Includes:

Building and maintenance costs  
Marketing and communications  
Product development costs  
Travel costs

| Consolidated<br>Half-year ended |           |
|---------------------------------|-----------|
| 31-Dec-10                       | 31-Dec-09 |
| \$                              | \$        |

|         |         |
|---------|---------|
| 87,083  | 63,197  |
| 94,628  | 77,586  |
| 115,209 | 124,256 |
| 105,346 | 34,065  |

3 Earnings per share

Overall operations

Basic earnings per share  
Diluted earnings per share

Continuing operations

Basic earnings per share  
Diluted earnings per share

Discontinued operations

Basic earnings per share

| Consolidated<br>Half-year ended |           |
|---------------------------------|-----------|
| 31-Dec-10                       | 31-Dec-09 |
| cents                           | cents     |

|        |        |
|--------|--------|
| (0.07) | (0.02) |
| (0.07) | (0.02) |
| (0.07) | (0.02) |
| (0.07) | (0.02) |

|   |       |
|---|-------|
| - | 0.003 |
|---|-------|

No. No.

Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share

657,906,777 657,906,777

Potential Ordinary Shares attributable to options outstanding at end of half-year

151,906,250 134,906,250

Potential Ordinary Shares attributable to convertible notes outstanding at end of half-year

322,222,190 322,222,190

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings per share

1,132,035,217 1,115,035,217

\$ \$

Overall operations

Earnings used in the calculation of Basic and Diluted Earnings Per Share

(490,606) (122,927)

Continuing operations

Earnings from continuing operations used in the calculation of Basic and Diluted Earnings Per Share

(490,606) (144,927)

Discontinued operations

Earnings from discontinued operations used in the calculation of Basic Earnings Per Share

- 22,000

Dilutive Earnings Per Share

Due to losses incurred during the 31 December 2010 half-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.

4 Trade and other receivables

Current

Trade receivables  
Other receivables and prepayments  
Rental security deposit

| Consolidated |           |
|--------------|-----------|
| 31-Dec-10    | 30-Jun-10 |
| \$           | \$        |

|           |           |
|-----------|-----------|
| 552,469   | 666,797   |
| 417,242   | 290,397   |
| 80,156    | 80,156    |
| 1,049,867 | 1,037,350 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

**5 Other financial liabilities**

**Current**

Bank overdraft

Secured advances under contract

Unsecured other loans

| Consolidated     |                  |
|------------------|------------------|
| 31-Dec-10        | 30-Jun-10        |
| \$               | \$               |
| 949,670          | 776,697          |
| 3,130,721        | 1,420,994        |
| 52,340           | 13,014           |
| <u>4,132,731</u> | <u>2,210,705</u> |

**Non Current**

Secured convertible notes

Unsecured other loans

|                  |                  |
|------------------|------------------|
| 1,450,000        | 1,450,000        |
| 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 31 December 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 half-year the Company received advances under a contract with Inmarsat PLC of \$1,709,727 (inclusive of foreign exchange movement to 31 December 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.

**6 Intangible assets**

**Development costs capitalised**

Cost

Accumulated amortisation and impairment

| Consolidated     |                |
|------------------|----------------|
| 31-Dec-10        | 30-Jun-10      |
| \$               | \$             |
| 1,601,602        | 764,590        |
| (126,988)        | -              |
| <u>1,474,614</u> | <u>764,590</u> |

**7 Segment reporting**

**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.

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

**DIRECTORS' DECLARATION**

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The directors' of the company declare that the financial statements and notes as set out in pages 5 to 11 are in accordance with the Corporations Act 2001:

- (a) Comply with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Act 2001, and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2010 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

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.

Signed in accordance with a resolution of directors made pursuant to Section 306(3) of the Corporations Act 2001.

On behalf of the directors.



Mr Anthony Bigum  
Chairman

Signed in Melbourne, 22 February 2011

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

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of World Reach Limited and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2010, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

*Directors' Responsibility for the Half-Year Financial Report*

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

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of World Reach Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

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

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

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of World Reach Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of their performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*Material uncertainty regarding going concern*

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

The going concern basis may not be appropriate if forecast sales of existing and new products are not achieved; shareholders or financiers do not provide ongoing support; and alternative sources of finance, if required, cannot be obtained. If the going concern basis is found to no longer be appropriate the company may be unable to realise its assets and discharge its liabilities in the normal course of business.



**N R BULL**  
Partner  
22 February 2011



**PITCHER PARTNERS**  
Melbourne