

27 September 2012

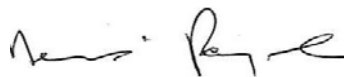
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Annual Report

Please find attached the company's Annual Report for the year ended 30 June 2012.

Yours faithfully



Dennis Payne
Company Secretary

ANNUAL REPORT 2012



"Communication anywhere anytime"

world reach

Satellite Solutions and Communication Across the World

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DIRECTORATE

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

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ASX OFFICE

Based in Sydney

ASX CODE

WRR

CHAIRMAN'S REPORT

As your recently appointed Chairman I am pleased to provide the following report on the Company for the year ended 30 June 2012:

Profit Performance and Outlook

The past year once again proved to be a challenge for the Company. The economic circumstances in Europe and a product recall by Iridium Satellite LLC adversely impacted the second half of the financial year. This was very disappointing given that both quarters of the first half year to 31 December 2011 were profitable. In fact the December 2011 quarter was the fourth quarter in succession of profitable trading. The profit of \$217,743 for the first half was reversed in the second half with the year closing with an overall loss of \$249,179.

The challenge for the Company in the current financial year is to return to the consistent profitable trading experienced throughout calendar year 2011. With this single objective in mind the Board is undertaking a review of the Company's distribution and sales strategies to ensure that it is well positioned globally to exploit all opportunities provided on the product advances made in the last two years, as well as initiatives that are in the development pipeline.

Sales and Marketing

Sales of products developed for Inmarsat Global Ltd satellite systems gained significant momentum through the first half year and new docking units for the Iridium 9575 'Extreme' handset were released to the market in February 2012. Both sets of products have been well received by the market. The growth in sales revenues this year over the previous year was in excess of 29%.

The Company secured a US\$5.1M commitment from Telstra Corporation Limited to purchase satellite equipment and product bundles mainly featuring the Iridium 9575 'Extreme' handset and a range of docking units over the 12 month period to May 2013. Approximately US\$0.5M was delivered in June 2012 leaving US\$4.6M for the 2012/13 financial year.

The Company maintains a strong position in the international mobile satellite services market through the new products recently introduced into its range and is well positioned to take advantage of current opportunities to support the strategies of the key satellite operators Iridium and Inmarsat. We continue to invest in strategic research and are advanced in smartphone access technology applications and higher speed data communication platforms.

Manufacturing

The Company has now transitioned 90% of its manufacturing to China which has been an integral part of maintaining strong gross profit margins whilst the Australian dollar has been at parity or higher than the US dollar. It is expected that nearly all manufacture will be off-shore by December 2012. The company has representation on the ground in China to manage the outsourced operations to the highest industry standards.

Capital Management

During the year the Company welcomed new investors with \$625,000 in new convertible notes being issued in April 2012 and \$593,091 net of costs raised from share placements. A share purchase plan for existing shareholders contributed a further \$104,000. These funds were used for working capital, which has been impacted by:

- required support for increases in sales,
- product development work as the Company expands its range, and
- increased deposit requirements and shorter supplier payment terms from the new China based manufacturing arrangements.

The cash position remains tight and during August 2012 the Company negotiated an extension to the maturity date with holders of \$1,025,000 worth of convertible notes from 1 July 2013 to 1 July 2015. Similarly a shareholder loan of \$300,000 was extended to at least 1 July 2015.

Vale John McCormack

I would like to pay tribute to the late John McCormack, the immediate past Chairman who passed away in June 2012. John was Chairman for only a short time but a Director for four years and Company Secretary/advisor for over ten years. John's input and guidance through difficult times in the Company's history will be sadly missed as will the support he provided to fellow Directors, senior management and staff.

Finally I would like to thank all staff associated with the Company in dealing with a number of challenges during the year. Although only recently appointed to my role I have been impressed with the dedicated commitment of the CEO, Michael Capocchi, and his team.



Mr Trevor Moyle
Chairman

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the financial year ended 30 June 2012.

DIRECTORS

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

Michael Ian Capocchi	
John Broadhurst Bee	(appointed 04/04/2012)
Dennis Frank Payne	(appointed 14/06/2012, (resigned 13/08/2012)
Trevor Bruce Moyle	(appointed 13/08/2012)
Anthony Peter Bigum	(resigned 04/04/2012)
John Gordon McCormack	(resigned 14/06/2012)

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

Trevor Bruce Moyle – Chairman

Age: 63

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

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

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

Mr Moyle's board experience has included chairmanship of a range of companies, complemented by a number of roles on board sub committees.

John Broadhurst Bee – Non Executive Director

Age: 68

Mr Bee is a Melbourne based management consultant specialising in revenue growth.

He has an MBA from Stanford University and following careers with McKinsey & Co and Egon Zehnder International established his own consulting practice.

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

Michael Ian Capocchi – Managing Director

Age: 41

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.

Anthony Peter Bigum – Non Executive Director (resigned 4 April 2012)

Age: 63

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

Mr Bigum was a board member of World Reach Limited for nine years, the last five years until his resignation as Chairman.

Mr John Gordon McCormack – Non Executive Director (resigned 14 June 2012)

Age: 69

A Chartered Accountant, Mr McCormack was a principal in the corporate advisory firm McCormack and Partners Advisory, specialising in corporate advisory and governance with extensive experience as advisor to companies in Australia and Asia.

Sadly Mr McCormack passed away in June after resigning due to ill health. Mr McCormack had been Chairman of the board since April 2012 after four years as a Director. For several years before being appointed a Director Mr McCormack was Company Secretary and an advisor to the board and played a very important role in the company's evolution through often difficult circumstances.

DIRECTORS' REPORT (continued)

DIRECTORS (continued)

Mr Dennis Frank Payne – Non Executive Director (resigned 13 August 2012)

Age: 63

Mr Payne, the current company secretary, was a board member for a brief period until his resignation on 13 August 2012.

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.

COMPANY SECRETARY

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

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

PRINCIPAL ACTIVITIES

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

DIRECTORS' REPORT (continued)

OPERATING RESULTS AND REVIEW OF ACTIVITIES

The Consolidated Group reports a total comprehensive loss of \$249,179 for the year on total revenue of \$12,990,312 (2011: total comprehensive loss of \$183,653 on revenue of \$10,043,876).

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

	2012 \$000	2011 \$000
Revenue	12,990	10,044
<u>Deduct</u>		
Cost of goods sold, research & development, administrative marketing and corporate expenses	11,979	9,391
Operating profit before amortisation, depreciation, interest and tax	1,011	653
<u>Deduct</u>		
Amortisation	812	388
Depreciation	94	123
Interest	354	326
Operating Profit (Loss)	(249)	(184)
Net profit / (loss) for Year	(249)	(184)
Total comprehensive loss for the ear	(249)	(184)

The Group reported a profit of \$217,743 for the six months ended 31 December 2011 however the following two events occurred in the second half of the 30 June 2012 financial year which contributed to the Group recording an overall net loss for the year

- An unexpected contraction of the market, especially in Europe, due to the increased uncertainty in the region. This impacted negatively on sales of Inmarsat based products in particular, which led to an estimated reduction in forecast margin of approximately \$400,000.
- In early May 2012 Iridium Satellite LLC advised of a halt in production and a global recall of their new 'Extreme 9575' handset. The Company's subsidiary Beam Communications Pty Ltd was first to market with docking solutions to support the new handset and these were expected to generate significant additional sales in the June 2012 quarter. Deliveries of the 'Extreme 9575' handsets did not resume until late in June 2012 and in limited quantities. This severely restricted sales for May 2012 and June 2012 and gross profit was reduced by an estimated \$300,000.

Despite an overall increase in sales revenue of 29% and an increase in operating profit before amortisation, depreciation, interest and tax of \$358,000 over the 2010/11 financial year, the company was unable to cover the increased amortisation of capitalised development costs (increased by \$424,000 as projects begin moving into full years of amortisation). The amortisation primarily relates to the Inmarsat docking and fixed terminal projects where the company invested heavily in the design and development of these products.

In setting a budget for the 2012/13 year the Company has taken into consideration the impact of the European economies and considers that sales activity through market initiatives in China, Japan, Russia and South America will result in an improved financial performance for the 2012/13 year.

The Group had secured convertible notes at 30 June 2012 with a face value of \$1,100,000 and a maturity date of 1 July 2013. During August 2012 the Group negotiated the extension of the maturity date to 1 July 2015 with holders of notes with a face value of \$1,025,000 to strengthen the Group's financial position.

Part of the Group's non-current liabilities is an unsecured loan from a shareholder of \$300,000 which had a maturity date of 1 July 2013. The Group confirmed on 8 August 2012 that this loan will be extended until at least 1 July 2015.

The Group has secured advances under contract from Inmarsat PLC at 30 June 2012 amounting to \$1,866,603. This loan was provided to the Group to develop and manufacture products compatible with the Inmarsat hand held satellite phone. The loan agreement was re-negotiated in February 2012 with loan repayments now based on lower percentages of sales to ensure that cash generated from sales of relevant products is sufficient to achieve the six-monthly repayments. During the current year the Group repaid \$781,831 (excluding realised and unrealised exchange differences). The estimated repayment based upon sales in the 12 months from 30 June 2012 is \$696,161.

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 3 July 2012 the issued share capital of the Company was altered by consolidating every 100 shares into 1 share. Outstanding options and convertible notes were consolidated on the same basis. Refer to Note 22(a) for more details.

During August 2012 the Company negotiated the extension of the maturity date of the secured convertible notes from July 2013 to July 2015 with holders of notes with a face value of \$1,025,000 (subject to shareholder approval).

On 26 July 2012 the Company issued new options and cancelled existing options for ordinary shares following approval for their issue at the meeting of shareholders on 29 June 2012. Refer Note 22(c) for more details.

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 2012 on the exercise of options.

DIRECTORS' INTERESTS

At the date of this report, the relevant interests of the directors in the securities of the Company are detailed in Note 16 of the Financial Statements.

SHARES UNDER OPTION

At the date of this report but on a pre-consolidation basis to match reporting in the following financial statements and notes (refer After Balance Date Events on this page), the unissued ordinary shares of the Company under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
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	7,550,000
15.05.09	01.07.14	\$0.0060	43,500,000
30.09.09	30.09.14	\$0.0065	11,700,000
01.01.11	01.01.16	\$0.0065	7,500,000
01.02.12	01.02.17	\$0.0045	7,500,000
26.07.12	26.07.14	\$0.0070	17,857,150
26.07.12	01.07.17	\$0.0065	80,000,000
			223,513,400

DIRECTORS' MEETINGS

During the year ended 30 June 2012 the company held 22 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
M Cappochi	19	19	0	0
J Bee	3	3	0	0
D Payne	1	1	0	0
A Bigum	16	16	3	3
J McCormack	17	18	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 an individual's actual achievement of performance objectives and for materially improved company performance. Consequently, performance-based remuneration is paid where a clear contribution to successful outcomes for the company is demonstrated and the individual attains and excels against pre-agreed key performance indicators during a performance cycle.

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 has been recently re-negotiated after the previous contract expired on 30 June 2011. The details of the new agreement are set out in a formal contract of employment which has a 3 year term expiring on 30 June 2015. It can only be terminated by the company in the event of specified breaches by the employee or on payment of all amounts becoming due under the contract.

All other executives are permanent employees.

DIRECTORS' REPORT (continued)

REMUNERATION REPORT (continued)

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

Directors

Mr M Capocchi	Executive Managing Director
Mr J Bee	Non Executive Director (appointed 4 April 2012)
Mr D Payne	Non Executive Director, CFO and Company Secretary (appointed director 14 June 2012, resigned as director 13 August 2012)
Mr A P Bigum	Non-Executive Director (resigned 4 April 2012)
Mr J G McCormack	Non-Executive Director (resigned 14 June 2012)

(b) Details of remuneration for the year

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

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments			
	Cash salary & fees \$	Cash bonus & Commissions \$	Motor vehicle allowance \$	Employee benefits payable [b] \$	Super-annuation \$	Employee benefits payable \$	Eligible termination benefits \$	Options [a] \$	Total \$	Performance related %	Remuneration consisting of options %
2012											
Directors											
Mr M Capocchi	311,900	-	15,000	1,660	28,200	3,550	-	220	360,530	0.00%	0.06%
Mr J Bee	10,000	-	-	-	-	-	-	-	10,000	0.00%	0.00%
Mr D Payne	168,000	-	-	(1,910)	15,240	2,190	-	1,300	184,820	0.00%	0.70%
Mr A P Bigum	18,750	-	-	-	-	-	-	-	18,750	0.00%	0.00%
Mr J G McCormack	24,167	-	-	-	-	-	-	-	24,167	0.00%	0.00%
Total	532,817	-	15,000	(250)	43,440	5,740	-	1,520	598,267		
2011											
Directors											
Mr A P Bigum	25,000	-	-	-	-	-	-	7,800	32,800	0.00%	23.78%
Mr M Capocchi	300,670	-	15,000	1,515	30,070	9,005	-	26,767	383,027	0.00%	6.99%
Mr J G McCormack	25,000	-	-	-	-	-	-	13,000	38,000	0.00%	34.21%
Other											
Mr D Payne	162,800	-	-	(750)	14,650	6,610	-	1,900	185,210	0.00%	1.03%
Total	513,470	-	15,000	765	44,720	15,615	-	49,467	639,037		

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

[b] 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

2012	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	-	-	-	-	-	(7,800)	(7,800)
Mr M Capocchi	-	-	-	-	-	(39,200)	(39,200)
Mr J G McCormack	-	-	-	-	-	(13,000)	(13,000)
Mr J Bee	-	-	-	-	-	-	-
Mr D Payne	01.02.12	1,000,000	0.0013	1,300	-	-	-
2011							
	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	26.11.10	3,000,000	0.0026	7,800	-	-	7,800
Mr M Capocchi	26.11.10	10,000,000	0.0026	26,000	-	-	26,000
Mr J G McCormack	26.11.10	5,000,000	0.0026	13,000	-	-	13,000
Other							
Mr D Payne	01.01.11	1,000,000	0.0019	1,900	-	-	1,900

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

Terms & conditions for each grant								
2012	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	-	-	-	-	-	-	-	-
Mr J G McCormack	-	-	-	-	-	-	-	-
Mr J Bee	-	-	-	-	-	-	-	-
Mr D Payne	1,000,000	1,000,000	01.02.12	0.0013	0.0045	01.02.17	01.02.12	01.02.17
Total	-	-						
Terms & conditions for each grant								
2011	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	3,000,000	3,000,000	26.11.10	0.0026	0.013	31.12.15	26.11.10	31.12.15
Mr M Capocchi	10,625,000	10,000,000	26.11.10	0.0026	0.013	31.12.15	26.11.10	31.12.15
Mr J G McCormack	5,000,000	5,000,000	26.11.10	0.0026	0.013	31.12.15	26.11.10	31.12.15
Other								
Mr D Payne	1,000,000	1,000,000	01.01.11	0.0019	0.0065	01.01.16	01.01.11	01.01.16
Total	19,625,000	19,000,000						

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 2012 and comparative year ended 30 June 2011.

DIRECTORS' REPORT (continued)

NON AUDIT SERVICES

No non audit services were undertaken by external auditors during the year ended 30 June 2012.

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 27th September 2012.

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

Mr Trevor Moyle
Chairman

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of World Reach Limited

In relation to the independent audit for the period ended 30 June 2012, to the best of my knowledge and belief there have been:

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



N R BULL

Partner

27 September 2012



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 and have substantially implemented the Corporate Governance Principles and Recommendations as revised by the Australian Securities Exchange (ASX) Corporate Governance Council in 2007 and 2010.

In line with these recommendations and the requirements of the ASX Listing Rule 4.10.3 and in the spirit of good disclosure we now report on our compliance with each of the 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 on the Company's website.

The employment contract between the Company and the Chief Executive Officer 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.

Functions of Senior Executives

The Chief Executive Officer reports to the Board and is responsible for the operation and administration of the Company including the implementation of the Company's strategies, plans, policies and control programmes. He is supported by a management team whose responsibilities are delineated by formal authority delegations 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 Chief Executive Officer and Chief Financial Officer;
- § a review by the Board of the Group's financial performance and revised forecast results on a monthly and annual basis at Board meetings at which reports are presented by the key executives; and
- § an evaluation of the detailed presentations made by the Chief Executive Officer and his direct reports during business planning / strategy meetings which are at least bi-annual.

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

Board Processes

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

CORPORATE GOVERNANCE (continued)

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

To assist in the execution of its responsibilities the Board has established an Audit Committee with a formalised charter and operating principles. Activities which may be conducted by separate committees in a larger company such as Directors Nomination, Risk Management and Remuneration are dealt with by the full Board as 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 the Chief Executive Officer;
- § monitors board performance; and
- § guides and promotes the on-going effectiveness and development of the board and individual directors.

Conduct of Board Business

The Board normally holds monthly formal board meetings and will also meet whenever necessary to carry out its responsibilities. In the year ended 30 June 2012, the Board and/or its committees met 22 times.

When conducting Board business, Directors have a duty to question, request information, raise any issue of concern, and fully canvas all aspects of any issue confronting the Company and vote on any resolution according to their own judgment.

Directors keep confidential board discussions, deliberations and decisions that are not publicly known.

Conflicts of Interest

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

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

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

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

Directors Independence

At the date on which the Directors' report is made out, the Company has a 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.

In the interest of clear disclosure Mr John Bee holds an interest at the date of this report in 6% of the Company's issued shares through JBB Superannuation Fund of which he is a member and is thereby defined as a substantial shareholder. The Directors consider that the size and type of this holding is not material when considering the ability of Mr Bee to act as an independent Director.

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

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

CORPORATE GOVERNANCE (continued)

Appointment of Directors

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

The Board considers that as a 3 member Board of a small Company the selection and appointment of Directors is such an important task that it should be the responsibility of the entire Board to consider the nominations process. The structure of the Board is reviewed annually as to qualifications, skills, experience and diversity to ensure the Board has an appropriate mix. In a 3 member Board the highest requirement is for appropriate skill. Where a vacancy exists or there is a need for particular skills, the Board will determine the selection criteria and identify and appoint a suitable candidate. External advisors may be used in this process. Directors appointed by the Board must stand for re-election at the next meeting of shareholders.

There are no maximum terms set for non-executive director appointments. The Board does not 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 Chief Executive Officer, if also a director, is not subject to retirement by rotation and is not to be taken into account in determining the rotation of retirement of directors.

Evaluation of Directors Performance

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

On an annual basis, the Chairman facilitates a discussion and evaluation of the Board's performance in accordance with this process. This includes discussions about the Board's role, processes, performance and other relevant issues.

Each director's performance is reviewed by the Chairman and Board prior to the director standing for re-election.

If the contribution of a non-executive director appears to a majority of directors to be less than adequate or to be harmful to the good working of the Board, they may request the Chairman to inform that director accordingly and ask that person to consider his or her position on the Board. If the director takes no action in response, a circulated minute signed by a majority of directors will authorise the Company Secretary to inform the shareholders that the Board will not support the re-election of the director at the general meeting where they are next due to offer 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 increase shareholder value while also adding value for customers, employees and other stakeholders. To ensure this occurs, the Group conducts its business within the Code of Ethics, documented and outlined in the code of conduct section of this statement, and the Group's core values which are to:

§ act with integrity and fairness;

CORPORATE GOVERNANCE (continued)

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

Code of Conduct

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

- § Responsibilities to shareholders;
- § Compliance with laws and regulations;
- § Relations with customers and suppliers;
- § Ethical responsibilities including responsibility for reporting and investigating unethical practices;
- § Employment practices including a fair and open approach to all forms of diversity; and
- § Responsibilities to the environment and the community.

Diversity

The Board at this time has not established an explicit policy on diversity or measureable objectives for achieving gender diversity. Because of the size of the Company (staff of 27 at the date of this report) the Board feels that it is not appropriate to have objectives on diversity that stand alone. Rather, the Board recognising the positive benefits for the organisation of increased diversity, especially gender, has sought to integrate diversity objectives within the existing policies and procedures of the Company. Since the inception of the Company the Board has taken measures to establish a corporate culture in which the principles of diversity are embedded. By promoting and supporting transparent recruiting processes, flexible work practices, an enlightened code of conduct, equal employment opportunity policies and clear reporting of outcomes, the Board feels that the objectives of diversity will be achieved. The results of recruiting and the composition of staff are reported by the Chief Executive Officer and reviewed at monthly Board meetings.

At the date of this report the Company has a total staffing level of 27 employees of which 30% (8 employees) are women. The senior executive team is made up of 6 managers including one female. At this time there are no women on the Board which comprises 3 members.

Share Trading Policy

The Company's Director and Employee Share Trading Policy aims to:

- § protect stakeholders' interests at all times;
- § ensure that directors and employees do not use any information they possess for their personal advantage, or 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 T Moyle (Chairman)
- § Mr J Bee

CORPORATE GOVERNANCE (continued)

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

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

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

While recognising these recommendations, the Board is restricted by having only 3 Board members. The Board has appointed two Independent Directors to make up the Committee. The Board considers these two to be independent of management in terms of the ASX Corporate Governance Council's definition of independent Directors in that they do not have any business interest or other relationship that could materially interfere with the exercise of their judgment and ability to act in the best interests of the Company. The most financially qualified of the two Directors, Mr T Moyle, who is Chairman of the Board, has been appointed Chairman of the Committee. The Board considers that such a two member Committee can properly and efficiently discharge its responsibilities given the small size of the Company.

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

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

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

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

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

The Company's Audit Committee met 3 times during the course of the financial year ended 30 June 2012.

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

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. All investors will have equal and timely access to information on the Company's financial position, performance, ownership and governance.

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

The Board must ensure that company announcements:

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

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

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

The Company ensures that shareholders are informed of all major developments affecting the Group immediately by ASX announcements and commentary on operations in quarterly reports.

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

All shareholders receive copies of the shareholders notices by email or post and a copy of the annual report is distributed to all shareholders who elect to receive it (hardcopy in the mail or by electronic means) and is available on the Company's website.

Meetings

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

Website

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

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

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

Risk Management

Due to the importance of this function, the Board is responsible for ensuring appropriate measures are in place in order to manage risk in line with the Company's risk strategy. An external consultant has assisted the Board in this process.

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

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

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

- § assist management to discharge its corporate and legal responsibilities; and

CORPORATE GOVERNANCE (continued)

§ 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 at the start of each year.

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

Risk parameters and compliance information are reported monthly to the Board by the Managing Director and CFO.

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

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

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

The Board has adopted reporting procedures which allow it:

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

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

Financial Reporting

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

The Managing Director and the CFO provide formal statements to the Board in accordance with section 295A of the Corporations Act 2001 at each reporting date that, with regard to risk management and internal compliance and control systems;

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

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

Remuneration

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

At these two meetings the Board reviews the following:

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

The remuneration of Non-executive Directors is determined by the Board having regard to the level of fees paid to non-executive directors by other companies of similar size and stature.

The aggregate amount payable to the Company's Non-executive Directors must not exceed the maximum annual amount approved by the Company's shareholders, currently \$500,000 as determined at the General Meeting held on 3 August 2007.

CORPORATE GOVERNANCE (continued)

The Company is committed to remunerating its Executive Directors and senior executives in a manner that motivates senior executives to pursue the long-term growth and success of the Company and is consistent with best practice. The Company aims to align the interests of Executive Directors and senior executives with those of shareholders through short-term and long-term incentive plans which demonstrate a clear relationship between performance and remuneration.

Consequently, Executive Directors and senior executives' remuneration consists of the following elements:

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

Fixed Salary

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

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

Performance Bonus

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

Long-Term Incentives

The Company has a share option scheme in which senior executives may participate. The Share Option Incentive Plan was approved by shareholders on 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
- § CEO and CFO Declarations
- § Continuous Disclosure Policy
- § Shareholder Communication
- § Code of Conduct
- § Audit Independence Charter

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	Year ended	
		30 June 2012	30 June 2011
		\$	\$
Revenue	2(a)	12,990,312	10,043,876
Changes in inventories of raw materials, finished goods and work in progress		1,356,388	469,358
Raw materials, consumables and other costs of sale	2(b)	(9,292,602)	(6,484,806)
Employee benefits expense		(2,291,394)	(2,030,269)
Depreciation expense	7(a)	(94,086)	(122,962)
Amortisation expense	8(a)	(811,664)	(387,916)
Finance costs expense	2(c)	(354,352)	(326,407)
Auditor remuneration expense	18	(97,296)	(114,049)
Accounting, share registry and secretarial expense		(94,397)	(88,083)
Consultancy and contractor expense		(191,963)	(125,462)
Legal, insurance and patent expense		(129,175)	(118,274)
Other expenses	2(d)	<u>(1,238,950)</u>	<u>(898,659)</u>
Loss before income tax		(249,179)	(183,653)
Income tax expense / (benefit)	3(a)	<u>-</u>	<u>-</u>
Loss for the year		(249,179)	(183,653)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u><u>(249,179)</u></u>	<u><u>(183,653)</u></u>
Loss and total comprehensive loss are both fully attributable to owners of the Company			
Basic earnings per share (cents)	20	(0.02)	(0.03)
Diluted earnings per share (cents)	20	(0.02)	(0.03)

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 2012

		30 June 2012	30 June 2011
	Note	\$	\$
Current assets			
Cash and cash equivalents	4	712,884	845,917
Inventories	5	3,642,427	2,286,039
Trade and other receivables	6	1,634,175	1,611,709
Total current assets		<u>5,989,486</u>	<u>4,743,665</u>
Non-current assets			
Plant and equipment	7	217,602	294,985
Intangible assets	8	1,709,140	1,887,879
Total non-current assets		<u>1,926,742</u>	<u>2,182,864</u>
Total assets		<u>7,916,228</u>	<u>6,926,529</u>
Current liabilities			
Trade and other payables	9	2,771,308	2,300,719
Other financial liabilities	10	1,738,801	3,499,626
Short-term provisions	11	361,161	324,235
Total current liabilities		<u>4,871,270</u>	<u>6,124,580</u>
Non-current liabilities			
Other financial liabilities	10	3,070,442	1,750,000
Long-term provisions	11	27,018	37,333
Total non-current liabilities		<u>3,097,460</u>	<u>1,787,333</u>
Total liabilities		<u>7,968,730</u>	<u>7,911,913</u>
Net assets / (deficiency of net assets)		<u>(52,502)</u>	<u>(985,384)</u>
Equity			
Issued capital	12	1,327,091	19,869,935
Reserves		308,636	358,666
Accumulated losses		<u>(1,688,229)</u>	<u>(21,213,985)</u>
Total equity		<u>(52,502)</u>	<u>(985,384)</u>

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

WORLD REACH LIMITED AND CONTROLLED ENTITIES
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2010	19,869,935	299,174	(21,032,655)	(863,546)
Total comprehensive loss for the year	-	-	(183,653)	(183,653)
Transactions with owners in their capacity as owners and other transfers:				
- Remuneration based option payments	-	61,815	-	61,815
- Adjustment for employee share options lapsed	-	(2,323)	2,323	-
Balance at 30 June 2011	19,869,935	358,666	(21,213,985)	(985,384)
Balance at 1 July 2011	19,869,935	358,666	(21,213,985)	(985,384)
Total comprehensive loss for the year	-	-	(249,179)	(249,179)
Transactions with owners in their capacity as owners and other transfers:				
- Remuneration based option payments	-	9,970	-	9,970
- Adjustment for employee share options lapsed	-	(60,000)	60,000	-
- Contributions of equity, net of transaction costs	1,172,091	-	-	1,172,091
- Capital reduction for discontinued businesses	(19,714,935)	-	19,714,935	-
Balance at 30 June 2012	1,327,091	308,636	(1,688,229)	(52,502)

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

WORLD REACH LIMITED AND CONTROLLED ENTITIES
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2012

		Year ended	
		30 June 2012	30 June 2011
	Note	\$	\$
Cash flow from operating activities			
Receipts from customers		13,876,591	9,335,531
Payments to suppliers and employees		(13,746,107)	(8,992,068)
Interest received		32,610	20,956
Interest and finance charges paid		(354,352)	(326,407)
Export market development grant receipts		126,400	88,343
Net cash provided by / (used in) operating activities	15(a)	<u>(64,858)</u>	<u>126,355</u>
Cash flow from investing activities			
Purchases of plant and equipment	7(a)	(21,643)	(72,929)
Proceeds from sale of plant and equipment		-	5,743
Development costs capitalised	8(a)	<u>(632,925)</u>	<u>(1,511,205)</u>
Net cash used in investing activities		<u>(654,568)</u>	<u>(1,578,392)</u>
Cash flow from financing activities			
Proceeds - convertible notes		625,000	-
Net loan proceeds / (payments)		(797,611)	1,762,320
Proceeds on share purchase plan / share placement		<u>697,091</u>	<u>-</u>
Net cash provided by financing activities		<u>524,480</u>	<u>1,762,320</u>
Net increase / (decrease) in cash and cash equivalents		(194,947)	310,283
Cash and cash equivalents at beginning of year		(59,561)	(369,844)
Cash and cash equivalents at end of financial year	15(b)	<u><u>(254,508)</u></u>	<u><u>(59,561)</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 2012

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 for-profit listed public company, incorporated and domiciled in Australia.

The financial report of World Reach Limited and controlled entities also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Reporting Basis and Conventions

Other than cash flow information, the 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.

(ii) Going concern

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

The trading results for the year ended 30 June 2012 and the financial position of the Group at that date are summarised as follows:

	30 June 2012	30 June 2011
	\$	\$
Loss for the year	(249,179)	(183,653)
Cash generated / (used in) operating activities	(64,858)	126,355
Net assets / (deficiency)	(52,502)	(985,384)
Net current assets / (deficiency)	1,118,216	(1,380,915)

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

- The Group is forecasting improved trading operations for the year ending 30 June 2013 with an improvement in sales and profitability and achievement of positive cash flows. The forecast trading results and cash flows are based on a continuation of existing economic conditions and an average AUD-USD exchange rate of parity. The trading forecasts include estimated sales of existing products at levels achieved in the year ended 30 June 2012 and significant additional sales of new products released during the 2011-12 year. 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 Group has Secured Advances Under Contract from Inmarsat PLC at 30 June 2012 amounting to \$1,866,603. This loan was provided to the Group to develop and manufacture products compatible with the Inmarsat hand held satellite phone. The loan agreement was re-negotiated in February 2012 with loan repayments now based on lower percentages of sales to ensure that cash generated from sales of relevant products is sufficient to achieve the six-monthly repayments. During the current year the Group repaid \$781,831 (excluding realised and unrealised exchange differences). The estimated repayments based upon sales in the 12 months from 30 June 2012 is \$696,161.
- The Group has current banking arrangements which provide for overdraft facilities of \$1,000,000 and guarantee facilities of \$100,000. Continuation of these arrangements is subject to the Group satisfying specific covenants which are reviewed by the bank quarterly, including lodgement with the bank of a deposit of \$500,000. The Group has satisfied these quarterly covenants throughout the 30 June 2012 year except for the net profit covenant in the June 2012 quarter. With this knowledge the bank re-confirmed continuation of current facilities on 17 August 2012 and the Group expects to satisfy future covenants resulting in on-going banking facilities.
- There are secured convertible notes with a face value of \$1,100,000 at 30 June 2012. During August 2012 the Group negotiated the extension of the maturity date from July 2013 to July 2015 with holders of notes with a face value of \$1,025,000 to further strengthen the Group's financial position.
- Part of the Group's non-current liabilities is an unsecured loan from a shareholder of \$300,000 which had a maturity date of 1 July 2013. The Group confirmed on 8 August 2012 that this loan will be extended until at least 1 July 2015.
- The Group is planning to raise further share capital by way of a share purchase plan to existing shareholders at a discount to current market value of its shares in March 2013, similar to plans offered to shareholders in prior years.

The achievement of improved trading and positive cash flows from operations, the continuation of current banking facilities, the extension of maturity dates for long term debt items and the amendments to the Inmarsat loan agreement will provide the Group with sufficient cash flows to continue as a going concern. Any additional share capital from potential share purchase plans would provide further assistance with working capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 24 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 2012. 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 2011 and 2012.

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 2012

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

The amortisation rate for capitalised development costs was 33% for 2012.

(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 16 and 17 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 13 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 2012

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 continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of 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

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. 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 2012

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
2 Loss before income tax		
(a) Revenue from continuing operations		
<i>Sales revenue</i>		
- Equipment sales	12,721,886	9,245,991
- Equipment hire	78,452	84,845
- Other	30,964	1,562
	<u>12,831,302</u>	<u>9,332,398</u>
<i>Other income</i>		
- Interest	32,610	20,956
- Unrealised foreign currency exchange gain on foreign currency secured advances	-	602,179
- Export market development grant	126,400	88,343
	<u>159,010</u>	<u>711,478</u>
	<u>12,990,312</u>	<u>10,043,876</u>
(b) Cost of sales		
Opening inventories	2,286,039	1,816,681
Add: Purchases and other stock adjustments	<u>9,292,602</u>	<u>6,484,806</u>
	11,578,641	8,301,487
Closing inventories (Note 5)	<u>(3,642,427)</u>	<u>(2,286,039)</u>
	<u>7,936,214</u>	<u>6,015,448</u>
(c) Finance costs expense		
Interest expense on financial liabilities	<u>354,352</u>	<u>326,407</u>
(d) Other expenses include:		
- Directors fees for the year	51,545	50,004
- Unrealised foreign currency exchange loss on foreign currency secured advances	145,314	-
- Other realised and unrealised foreign currency exchange net loss	42,823	49,561
- Product development costs expensed	249,966	223,550
- Operating lease payments	129,088	122,567
3 Income tax		
(a) The components of tax expense / (benefit) comprise:		
Current tax		
- Current tax expense (refer 3b below)	-	-
- Current movement in deferred tax assets	(238,906)	76,915
- Deferred tax assets not brought to account	-	(76,915)
- Utilisation of deferred tax amount from prior year tax losses not taken up	238,906	-
	<u>-</u>	<u>-</u>
Income tax expense / (benefit) transferred to Statement of Comprehensive Income	<u>-</u>	<u>-</u>
(b) The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the current income tax benefit as follows:		
Loss from ordinary activities	<u>(249,179)</u>	<u>(183,653)</u>
Prima facie income tax benefit on loss from ordinary activities at 30% (2011: 30%)	<u>(74,754)</u>	<u>(55,096)</u>
Add / (Less):		
Tax effect of:		
- Temporary difference deferred tax assets not taken up	313,660	(21,819)
- Tax loss deferred tax asset not taken up	-	76,915
- Utilisation of deferred tax amount from prior year tax losses not taken up	<u>(238,906)</u>	<u>-</u>
Income tax expense attributable to the Consolidated Group	<u>-</u>	<u>-</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

3 Income tax (continued)

- (c) Deferred tax assets of \$5,218,635 (2011: 5,378,946) have not been recognised at 30 June 2012. This consists of amounts relating to carried forward losses of \$5,532,295 (2011: \$5,801,755) and temporary differences of \$313,660 (2011: \$422,809).

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

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

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

Year ended	
30 June 2012	30 June 2011
\$	\$

4 Cash and cash equivalents

Cash at bank and in hand	712,884	845,917
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5 Inventories

At cost:

Raw materials	1,529,228	1,165,155
Work In Progress	56,606	67,221
Finished Goods	2,056,593	1,053,663
	<u>3,642,427</u>	<u>2,286,039</u>

6 Trade and other receivables

(a) Current

Trade receivables	1,490,884	1,144,443
Other receivables and prepayments	67,666	387,110
Rental security deposit	75,625	80,156
	<u>1,634,175</u>	<u>1,611,709</u>

(b) Ageing reconciliation

Ageing reconciliation	Gross amount	Within trade terms	Past due but not impaired (days overdue)			Past due & impaired
			31 - 60	61 - 90	90+	
2012						
<u>Current</u>						
Trade receivables	1,490,884	1,028,927	390,510	38,147	33,300	-
Other receivables	67,666	67,666	-	-	-	-
Rental security deposit	75,625	75,625	-	-	-	-
2011						
<u>Current</u>						
Trade receivables	1,144,443	721,044	313,065	11,351	98,983	-
Other receivables	387,110	387,110	-	-	-	-
Rental security deposit	80,156	80,156	-	-	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

7 Plant and equipment

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
Office furniture and equipment - at cost	383,583	381,098
Less: Accumulated depreciation and impairment	(202,038)	(141,585)
	<u>181,545</u>	<u>239,513</u>
Computer and test equipment - at cost	213,765	194,607
Less: Accumulated depreciation and impairment	(188,501)	(166,544)
	<u>25,264</u>	<u>28,063</u>
Rental equipment - at cost	216,212	216,212
Less: Accumulated depreciation and impairment	(205,419)	(188,803)
	<u>10,793</u>	<u>27,409</u>
Total plant and equipment	<u>217,602</u>	<u>294,985</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 2010	236,883	60,860	53,458	351,201
Additions	63,794	9,135	-	72,929
Disposals	-	-	(184)	(184)
Depreciation expense	(60,725)	(36,372)	(25,865)	(122,962)
Depreciation capitalised in Development Costs	(439)	(5,560)	-	(5,999)
Balance at 30 June 2011	<u>239,513</u>	<u>28,063</u>	<u>27,409</u>	<u>294,985</u>
Additions	2,485	19,158	-	21,643
Disposals	-	-	-	-
Depreciation expense	(60,086)	(17,384)	(16,616)	(94,086)
Depreciation capitalised in Development Costs	(367)	(4,573)	-	(4,940)
Balance at 30 June 2012	<u>181,545</u>	<u>25,264</u>	<u>10,793</u>	<u>217,602</u>

8 Intangible assets

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
Development costs capitalised - at cost	2,908,720	2,275,795
Accumulated amortisation and impairment	(1,199,580)	(387,916)
	<u>1,709,140</u>	<u>1,887,879</u>

(a) Movements in carrying amounts

Balance at the beginning of the year	1,887,879	764,590
Additional costs capitalised	632,925	1,511,205
Amortisation expense	(811,664)	(387,916)
Balance at the end of the year	<u>1,709,140</u>	<u>1,887,879</u>

9 Trade and other payables

Current

Trade payables and accruals	2,716,328	2,241,770
Deferred income	54,980	58,949
	<u>2,771,308</u>	<u>2,300,719</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10 Other financial liabilities

Current

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
Bank overdraft - secured	967,393	905,478
Secured advances under contract	696,161	2,503,120
Unsecured other loans	75,247	91,028
	<u>1,738,801</u>	<u>3,499,626</u>

Non Current

Secured convertible notes	1,100,000	1,450,000
Secured advances under contract	1,170,442	-
Unsecured convertible notes	500,000	-
Unsecured other loans	300,000	300,000
	<u>3,070,442</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 advances under contract

At balance date the Company had secured advances under a contract with Inmarsat PLC to develop and manufacture products compatible with the Inmarsat hand held satellite phone. Advances are secured by a charge over the Intellectual Property developed under the agreement, are non-interest bearing and are repaid as a percentage of product sale proceeds. During the current year the Company repaid \$781,831 excluding realised and unrealised exchange differences.

Secured convertible notes

At 30 June 2012 secured convertible notes with a face value of \$1,100,000 were outstanding on the following terms:

- Maturity date - notes with maturity date extension	\$1,025,000	July 2015
- Maturity date - notes without maturity date extension	\$75,000	July 2013
- Conversion price		\$0.002
- Interest rate		8%
- Potential ordinary shares on conversion		550,000,000

During August 2012 the company negotiated the extension of the maturity date with noteholders holding notes with a total face value of \$1,025,000 to July 2015.

Note holders were issued with 91,406,250 options to subscribe for shares in the Company at various exercise prices.

The company entered into agreements with Investors on 26 August 2011 under which they agreed to subscribe for 96,000,000 shares at \$0.0025 per share. Under the terms of the Convertible Note Deed the conversion price was adjusted to 80% of the price at which these new shares are issued which is \$0.002.

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

Unsecured convertible notes

At 30 June 2012 unsecured convertible notes with a face value of \$500,000 were outstanding on the following terms:

- Maturity date	July 2015
- Conversion price	\$0.0035
- Interest rate	8%
- Potential ordinary shares on conversion	142,857,140

On 16 April 2012 unsecured convertible notes were issued to the value of \$625,000 of which \$125,000 have been converted to shares at 30 June 2012.

Under the terms of the Convertible Note Subscription Agreement note holders were issued with 17,857,150 options (prior to consolidation, post consolidation 178,572 options) to subscribe for shares in the Company on 26 July 2012 at an exercise price of \$0.007 (prior to consolidation, after consolidation \$0.70).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

11 Provisions

Current

Employee benefits
Warranty costs

Year ended	
30 June 2012	30 June 2011
\$	\$
341,161	304,235
20,000	20,000
<u>361,161</u>	<u>324,235</u>

Non current

Employee benefits

27,018	37,333
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(a) Movements in provisions for the year ended 30 June 2012

Balance at the beginning of the year
Additional provisions
Amounts used
Balance at the end of the year

Employee benefits	Warranty costs	Total
341,568	20,000	361,568
266,014	31,494	297,508
(239,403)	(31,494)	(270,897)
<u>368,179</u>	<u>20,000</u>	<u>388,179</u>

12 Issued capital

Issued and paid up capital:
Ordinary fully paid shares

Year ended	
30 June 2012	30 June 2011
\$	\$
1,327,091	19,869,935

The Company has 1,146,171,062 ordinary shares on issue at 30 June 2012 (2011: 657,906,777).

During the year the company raised additional funds for working capital purposes on several occasions as reported to the market via the Australian Securities Exchange. Issues of paid up ordinary share capital were completed as follows:

	Number of shares	\$
Balance at 30 June 2010	657,906,777	19,869,935
- Movement for the year	-	-
Balance at 30 June 2011	<u>657,906,777</u>	<u>19,869,935</u>
- Share placements to investors (net of costs)	235,950,000	593,091
- Share purchase plan for existing shareholders	41,600,000	104,000
- Convertible notes converted to equity	210,714,285	475,000
- Capital reduction for discontinued business (a)	-	(19,714,935)
Balance at 30 June 2012	<u>1,146,171,062</u>	<u>1,327,091</u>

(a) Capital reduction for discontinued business

At 30 June 2012 the company reviewed the make up of issued capital and of accumulated losses. Prior to 2007 the network services and 'Stratosonde' businesses previously conducted by the company incurred significant losses and equity funds of \$19,714,935 raised to fund these businesses was lost. The company ceased these businesses in 2007 and 2008 respectively. To present the financial accounts of the company in a manner which better reflects the current business operations, and in accordance with Section 258F of the Corporations Act 2001, the lost capital attributed to the discontinued businesses has been written out of both the issued capital and the accumulated losses of the company. This capital reduction does not change the number of shares nor affect the shareholding of any shareholder.

(b) Options over issued capital

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2012 is 157,156,250 (2011: 159,406,250), of which 55,750,000 (2011: 50,000,000) were issued to employees under the Company's Share Option Incentive Plan and 10,000,000 (2011: 18,000,000) were issued to directors following shareholder approval. Refer Note 17: Share Based Payments for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

The balance of 91,406,250 (2011: 91,406,250) options outstanding were issued to investors in addition to subscriptions for convertible notes.

Under the terms of the Convertible Note Subscription Agreement note holders were issued with 17,857,150 options to subscribe for shares in the Company on 26 July 2012 at an exercise price of \$0.007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

12 Issued capital (continued)

(c) Convertible notes

The total number of potential ordinary shares attributable to secured and unsecured convertible notes outstanding at 30 June 2012 is 692,857,140 (2011: 322,222,222). Refer Note 10 for details.

(d) 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 2012 or prior years.

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

13 Financial instruments

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

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

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

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

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

(a) Interest rate risk management

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

Interest rate risk for the Consolidated Group primarily arises from:

- Bank Funding - The funding is provided by the Consolidated Group's bankers at variable interest rates based upon Business Overdraft Prime Indicator rates plus a risk margin. The group diligently manages the facilities and its accompanying rate risk in its daily operations by keeping the net debt portfolio at a minimum level.
- Convertible Notes issued at an interest rate of the higher of 8% or 90 day dealer's rate plus 3%, which exposes the Consolidated Group to interest rate risk on future payments.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13 Financial instruments (continued)

(a) Interest rate risk management (continued)

Financial Instrument Composition and Maturity:

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

	Floating Interest	Fixed Interest	Weighted Average Interest Rate	Non-Interest bearing	TOTAL
2012					
<u>Financial asset</u>					
Cash assets	712,884	-	3.96%	-	712,884
Receivables	-	-		1,634,175	1,634,175
TOTAL	712,884	-		1,634,175	2,347,059
<u>Financial liability</u>					
Payables	-	-		2,771,308	2,771,308
Convertible notes	1,600,000	-	8.00%	-	1,600,000
Bank overdraft	967,393	-	10.94%	-	967,393
Sec'd advances under contract	-	-		1,866,603	1,866,603
Unsecured other loans	-	300,000	14.69%	75,247	375,247
TOTAL	2,567,393	300,000		4,713,158	7,580,551
2011					
<u>Financial asset</u>					
Cash assets	845,917	-	3.62%	-	845,917
Receivables	-	-		1,611,709	1,611,709
TOTAL	845,917	-		1,611,709	2,457,626
<u>Financial liability</u>					
Payables	-	-		2,300,719	2,300,719
Convertible notes	1,450,000	-	8.00%	-	1,450,000
Bank Overdraft	905,478	-	11.11%	-	905,478
Sec'd advances under contract	-	-		2,503,120	2,503,120
Unsecured other loans	78,149	300,000	14.62%	12,879	391,028
TOTAL	2,433,627	300,000		4,816,718	7,550,345

(b) Foreign currency risk management

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

Foreign currency risk sensitivity:

If foreign exchange rates were to increase/decrease by 10% from rates used to determine values as at reporting date then the impact on profit and equity due to movements in unrealised foreign currency exchange gain on foreign currency secured advances are as follows:

	Foreign currency movement	Year ended	
		30 June 2012	30 June 2011
		\$	\$
Impact on profit after tax	+/- 10%	+/- 190,226	+/- 268,810
Impact on equity	+/- 10%	+/- 190,226	+/- 268,810

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

13 Financial instruments (continued)

(c) Credit risk management

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

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

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

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

(d) Liquidity risk management

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

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

To help reduce these risks the Consolidated Group:

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

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

	< 1 Year	1 - 5 Years	Total contractual cash flows	Carrying amount
2012				
<u>Asset class</u>				
Cash and cash equivalents	712,884	-	712,884	712,884
Receivables	1,558,550	75,625	1,634,175	1,634,175
Payables	(2,771,308)	-	(2,771,308)	(2,771,308)
Other financial liabilities including contractual interest	(1,911,801)	(3,416,442)	(5,328,243)	(4,809,243)
Net maturities	<u>(2,411,675)</u>	<u>(3,340,817)</u>	<u>(5,752,492)</u>	<u>(5,233,492)</u>
2011				
<u>Asset class</u>				
Cash and cash equivalents	845,917	-	845,917	845,917
Receivables	1,531,553	80,156	1,611,709	1,611,709
Payables	(2,300,719)	-	(2,300,719)	(2,300,719)
Other financial liabilities including contractual interest	(3,660,626)	(1,888,500)	(5,549,126)	(5,249,626)
Net maturities	<u>(3,583,875)</u>	<u>(1,808,344)</u>	<u>(5,392,219)</u>	<u>(5,092,719)</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 2012

Year ended	
30 June 2012	30 June 2011
\$	\$

14 Commitments and contingencies

Operating lease commitments

Future minimum rentals payable under non-cancellable operating leases contracted for but not capitalised in the financial statements are as follows:

Not later than one year	148,262	139,776
Later than one year but not later than five years	232,864	381,126
Later than five years	-	-
	<u>381,126</u>	<u>520,902</u>

The Consolidated Group and parent entity renegotiated a 5 year non-cancellable commercial rental property lease at Mulgrave in December 2009. The new lease expires in December 2014. There is an option to renew the lease for a further 5 year period.

Capital expenditure commitments

Capital expenditure projects

Not longer than 1 year	-	86,500
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	<u>-</u>	<u>86,500</u>

Capital commitments relate to product development projects being undertaken by World Reach Limited's subsidiary Beam Communications Pty Ltd

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 2012

15 Notes to the statement of cash flows

(a) Reconciliation of loss after income tax benefit to net cash flow from operating activities

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
Loss after tax	(249,179)	(183,653)
<i>Non Cash flows in loss:</i>		
Depreciation	99,026	122,962
Amortisation	811,664	387,916
Unrealised foreign currency net losses / (gains)	145,314	(602,179)
Share options expensed	9,970	61,815
<i>Changes in assets and liabilities:</i>		
Increase in trade and other payables	470,589	1,322,092
Increase / (decrease) in employee provisions	26,612	61,119
(Increase) in trade and other receivables	(22,466)	(574,359)
(Increase) in inventory	(1,356,388)	(469,358)
Net cash from operating activities	(64,858)	126,355

(b) Reconciliation of cash

Cash at the end of the financial year as shown in the Consolidated Statement of Cash Flows is reconciled to items in the Consolidated Statement of Financial Position as follows:

Cash and cash equivalents (Note 4)	712,884	845,917
Bank overdraft (Note 10)	(967,393)	(905,478)
	<u>(254,508)</u>	<u>(59,561)</u>

(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 17.

(d) Facilities

The Consolidated Group has in place an overdraft facility with the National Australia Bank with a limit of \$1,000,000. A \$500,000 term deposit has been lodged as a security for the facility.

Bank guarantee facilities of the Consolidated Group total \$100,000 of which \$50,000 has been allocated to a subsidiary company and \$50,000 to the parent. Both were fully used at 30 June 2012.

The Consolidated Group has quarterly covenants to meet under its banking facility arrangements. The Group met all covenants at 30 September 2011, 31 December 2011 and 31 March 2012. The Group did not meet one of the covenants at 30 June 2012 related to net profit achievement. All bank facilities were reconfirmed as continuing on 17 August 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

16 Key management personnel disclosures

(a) Compensation by category

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
Short-term employee benefits	547,567	529,235
Post-employee benefits	43,440	44,720
Other long-term benefits	5,740	15,615
Termination benefits	-	-
Share-based payments	1,520	49,467
	<u>598,267</u>	<u>639,037</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.

2012	Balance 1.07.11	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.12	Total Vested 30.06.12	Exer- cisable 30.06.12	Unexer- cisable 30.06.12
Directors *									
M Capocchi	52,937,500	-	-	-	(1,750,000)	51,187,500	51,187,500	51,187,500	-
J Bee	-	-	-	-	-	-	-	-	-
D Payne	7,406,250	1,000,000	-	-	-	8,406,250	8,406,250	8,406,250	-
A Bigum	11,437,500	-	-	-	(3,000,000)	8,437,500	8,437,500	8,437,500	-
J McCormack	7,812,500	-	-	-	(5,000,000)	2,812,500	2,812,500	2,812,500	-
Total	<u>79,593,750</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>(9,750,000)</u>	<u>70,843,750</u>	<u>70,843,750</u>	<u>70,843,750</u>	<u>-</u>
2011									
	Balance 1.07.10	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.11	Total Vested 30.06.11	Exer- cisable 30.06.11	Unexer- cisable 30.06.11
Directors									
A Bigum	8,437,500	3,000,000	-	-	-	11,437,500	11,437,500	11,437,500	-
M Capocchi	42,937,500	10,000,000	-	-	-	52,937,500	52,562,500	52,562,500	375,000
J McCormack	2,812,500	5,000,000	-	-	-	7,812,500	7,812,500	7,812,500	-
Other									
D Payne	6,406,250	1,000,000	-	-	-	7,406,250	7,406,250	7,406,250	-
Total	<u>60,593,750</u>	<u>19,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,593,750</u>	<u>79,218,750</u>	<u>79,218,750</u>	<u>375,000</u>

* Mr John Bee was appointed director on 4 April 2012.
Mr Dennis Frank Payne was appointed director on 14 June 2012.
Mr Anthony Peter Bigum resigned as director on 4 April 2012.
Mr John Gordon McCormack resigned as director on 14 June 2012

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

16 Key management personnel disclosures (continued)

(c) Share holdings

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

2012	Balance 1.07.11	Received as Remuneration	Options Exercised	Net Change Other [a]	Balance 30.06.12
Directors					
Mr M Capocchi	-	-	-	7,522,760	7,522,760
Mr J Bee	-	-	-	72,000,000	72,000,000
Mr D Payne	10,023,693	-	-	-	10,023,693
Mr A P Bigum	12,866,000	-	-	(12,866,000)	-
Mr J G McCormack	7,323,299	-	-	(1,522,760)	5,800,539
	<u>30,212,992</u>	<u>-</u>	<u>-</u>	<u>65,134,000</u>	<u>95,346,992</u>
2011	Balance 1.07.10	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.11
Directors					
Mr A P Bigum	12,866,000	-	-	-	12,866,000
Mr M Capocchi	-	-	-	-	-
Mr J G McCormack	7,323,299	-	-	-	7,323,299
Other					
Mr D Payne	10,023,693	-	-	-	10,023,693
	<u>30,212,992</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,212,992</u>

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

(d) Convertible notes

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

2012	Balance 1.07.11 No.	Notes issued No.	Total Face Value \$	Notes Sold	Balance 30.06.12 No.	Total Face Value \$
Directors						
Mr M Capocchi	14	-	-	-	14	350,000
Mr J Bee	-	-	-	-	-	-
Mr D Payne	2	-	-	-	2	50,000
Mr A P Bigum	6	-	-	6	-	-
Mr J G McCormack	2	-	-	-	2	50,000
	<u>24</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>18</u>	<u>450,000</u>
2011	Balance 1.07.10 No.	Notes issued No.	Total Face Value \$	Notes Sold	Balance 30.06.11 No.	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>

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

(e) Loans and transactions

A short term loan from Mr M Capocchi, a director of the company, of \$68,025 was outstanding at 30 June 2012. The loan related to unpaid salary and expenses. There were no related party transactions during the year ended 30 June 2011.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

17 Share based payments

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

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

(a) The following share based payment arrangements existed at 30 June 2012:

- (i) 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 were 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 2012.
- (ii) 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 were 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 2012.
- (iii) 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 were 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 2012.
- (iv) 6,300,000 options were granted on 2 May 2008 to key employees with an expiry date of 28 February 2009 or 1 May 2013 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 25% tranches on 1 May 2009, 2010, 2011 and 2012, and are exercisable at \$0.025 per share (Issue WRR37).
4,800,000 of these options lapsed or were cancelled in the periods prior to 30 June 2011.
1,500,000 of these options are outstanding as at 30 June 2012.
- (v) 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).
250,000 of these options lapsed or were cancelled in the periods prior to 30 June 2011.
7,550,000 of these options are outstanding as at 30 June 2012.
- (vi) 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).
750,000 of these options lapsed or were cancelled in the periods prior to 30 June 2011.
11,700,000 of these options are outstanding as at 30 June 2012.
- (vii) 18,000,000 options were granted on 26 November 2010 to the directors with an expiry date of 31 December 2015 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 26 November 2010 at \$0.0125 per share (Issue WRR47).
8,000,000 of these options lapsed or were cancelled in the periods prior to 30 June 2011.
10,000,000 of these options are outstanding as at 30 June 2012.
- (viii) 7,500,000 options were granted on 1 January 2011 to key employees with an expiry date of 1 January 2016 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 1 January 2011 at \$0.0065 per share (Issue WRR48).
7,500,000 of these options are outstanding as at 30 June 2012.
- (ix) 7,500,000 options were granted on 1 February 2012 to key employees with an expiry date of 1 February 2017 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 1 February 2012 at \$0.0045 per share (Issue WRR49).
7,500,000 of these options are outstanding as at 30 June 2012.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

17 Share based payments (continued)

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

	30 June 2012		30 June 2011	
	No.	WAEP \$	No.	WAEP \$
Outstanding at the beginning of the financial year	68,000,000	0.0140	43,500,000	0.016
Granted during the financial year	7,500,000	0.0045	25,500,000	0.011
Lapsed during the financial year	(8,000,000)	0.0125	(1,000,000)	0.007
Cancelled during the financial year	-	-	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	(1,750,000)	0.0243	-	-
Outstanding at the end of the financial year	65,750,000	0.0129	68,000,000	0.014
Exercisable at the end of the financial year	65,750,000	0.0129	67,625,000	0.014

Notes to Share Based Payments

- (i) The weighted average remaining contractual life for the share options outstanding as at 30 June 2012 is 2.12 years (2011: 2.93 years). The range of exercise prices for options outstanding at the end of the year was \$0.0045 - \$0.0300 (2011: \$0.0065 - \$0.0300). The weighted average fair value of options granted during the year was \$0.0013 (2011: \$0.0024). The fair value of equity-settled share options granted under the Company's Share Option Incentive Plan is estimated as at grant date using the Binomial Option Valuation model, with Black Scholes crosscheck, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the Binomial Option Valuation model and Black-Scholes model used for the valuation of options issued for year ended 30 June 2012.

	Notes	
Grant date		1/02/2012
No. of options granted		7,500,000
Weighted average share price at grant date (\$)		0.0030
Option exercise price (\$)		0.0045
Expected volatility (%)	17b(ii)	83
Expected life of option (years)		4.0
Dividend yield (%)	17b(iii)	-
Risk-free interest rate (%)		3.28

- (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 \$9,970 (2011: \$61,815), and relates, in full, to equity-settled share options.

18 Remuneration of auditors

Remuneration of the Auditor of the Consolidated Group for auditing or reviewing financial reports

Year ended	
30 June 2012	30 June 2011
\$	\$
97,296	114,049

19 Related party transactions

Short term loan from Mr M Capocchi

68,025	-
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A short term loan from Mr M Capocchi, a director of the company, was outstanding at 30 June 2012. The loan related to unpaid salary and expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
20 Earnings per share		
Overall operations		
Basic earnings per share	(0.02)	(0.03)
Diluted earnings per share	(0.02)	(0.03)
	cents	cents
	No.	No.
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	1,146,171,062	657,906,777
Potential Ordinary Shares attributable to options outstanding at year end	162,156,250	159,406,250
Potential Ordinary Shares attributable to convertible notes outstanding at year end	835,714,283	322,222,222
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings per share	2,144,041,595	1,139,535,249
	\$	\$
Overall operations		
Earnings used in the calculation of Basic and Diluted Earnings Per Share	(249,179)	(183,653)

Dilutive Earnings Per Share

Due to losses incurred during the 2012 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.

21 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

	Year ended		Year ended	
	30 June 2012		30 June 2011	
	\$	%	\$	%
Sales by country				
Australia	5,227,926	40.24%	4,491,113	44.71%
Canada	1,787,414	13.76%	1,199,479	11.94%
United Kingdom	1,529,472	11.77%	1,337,010	13.31%
United States of America	1,078,418	8.30%	974,108	9.70%
Netherlands	873,764	6.73%	191,616	1.91%
Japan	599,675	4.62%	345,067	3.44%
Other foreign countries	1,893,643	14.58%	1,505,483	14.99%
	12,990,312	100.00%	10,043,876	100.00%

(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 14% of external revenue (2011: 30%), and the second largest customer also in Australia for 12% (2011: in Canada 9%) of external revenue. The next most significant customer accounts for 11% of external revenue (2011: 8%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22 Events after reporting date

(a) Share consolidation

On 3 July 2012 the issued share capital of the company was altered by consolidating every 100 shares into 1 share. Outstanding options and convertible notes were consolidated on the same basis and their exercise prices were amended in the inverse proportion to the consolidation ratio. The consolidation was approved by shareholders at a meeting on 29 June 2012. The number of securities after the 100:1 consolidation as at 3 July 2012 was:

- ordinary shares	11,461,797
- convertible notes maturing July 2013	44
- convertible notes maturing July 2015	20
- options issued to Directors	150,000
- options issued under Employee Option Plan	557,500
- options issued to secured convertible note holders	914,063

(b) Convertible notes maturity date extension

During August 2012 the company negotiated the extension of the maturity date of the secured convertible notes from July 2013 to July 2015 with holders of notes with a face value of \$1,025,000 (subject to shareholder approval).

(c) Share options issued

On 26 July 2012 the company issued new options and cancelled existing options for ordinary shares following approval at the meeting of shareholders on 29 June 2012, as follows (numbers on a the post consolidation basis):

- Issued 200,000 options to Mr John Bee, a Director, and 600,000 options to Mr Michael Capocchi, Managing Director, exercisable at \$0.65 by 1 July 2017.
- Cancelled 315,000 existing options held by Mr Michael Capocchi which were at exercise prices ranging from \$1.25 to \$3.00 with various expiry dates.
- Cancelled 50,000 existing options previously issued to Mr John McCormack which automatically lapsed following his resignation as a Director on 14 June 2012.
- Issued 178,572 options to six investors who subscribed to the convertible note issue of 16 April 2012, exercisable at \$0.70 by 26 July 2014.

23 Parent company disclosures

(a) Statement of Comprehensive Income

	Year ended	
	30 June 2012	30 June 2011
	\$	\$
Profit / (loss) from continuing operations	(414,909)	(385,037)
Profit / (loss) for the year attributable to owners of the Company	(414,909)	(385,037)
Other comprehensive income	-	-
Total comprehensive income for the year attributable to owners of the Company	(414,909)	(385,037)

(b) Statement of Financial Position

Assets		
Current assets	626,088	626,390
Non-current assets	206,809	267,576
Total assets	832,897	893,966
Liabilities		
Current liabilities	2,672,865	3,640,770
Non-current liabilities	1,927,018	1,787,333
Total liabilities	4,599,883	5,428,103
Net assets / (deficiency of net assets)	(3,766,986)	(4,534,137)
Equity		
Issued capital	1,327,091	19,869,935
Reserves	308,636	358,666
Accumulated losses	(5,402,713)	(24,762,739)
Total equity	(3,766,986)	(4,534,137)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

23 Parent company disclosures (continued)

(c) Guarantees

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

(d) Contractual commitments

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

24 Controlled entities

	Incorporated	Share class	Holding	
Investments in unquoted corporations being controlled entities:			2012	2011
Beam Communications Pty Ltd	Australia	Ordinary	100%	100%
SatPhonerental Pty Ltd (previously Telenet Rentals)	Australia	Ordinary	100%	100%
SatPhone Shop Pty Ltd (previously WR Communications)	Australia	Ordinary	100%	100%
Pacarc (PNG) Limited (Dormant)	Papua New Guinea	Ordinary	100%	100%

25 Company details and principal place of business

World Reach Limited is a limited company incorporated in Australia.

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

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

5 / 8 Anzed Court
Mulgrave Victoria 3170
Australia

DIRECTORS' DECLARATION

The directors of World Reach Limited declare that:

1. the financial statements and notes as set out in pages 20 to 44 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 2012 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 27th September 2012.

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

Mr Trevor Bruce Moyle
Chairman

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

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

Report on the Financial Report

We have audited the accompanying financial report of World Reach Limited and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company'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 AUDITOR'S REPORT
TO THE MEMBERS OF
WORLD REACH LIMITED**

Opinion

In our opinion:

- (a) the financial report of World Reach Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the 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.

The adoption of the going concern basis has been made after consideration of forecast profitable trading and positive cash flows from operations, the continuation of current banking facilities and the continuing support of creditors and financiers. These conditions indicate the existence of a material uncertainty that may cast doubt about the company's ability to continue as a going concern. 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.

Report on the Remuneration Report

We have audited the Remuneration Report included in the pages 7 to 9 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation 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 Limited and controlled entities for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



N R B ULL

Partner

27 September 2012



PITCHER PARTNERS

Melbourne

AUSTRALIAN SECURITIES EXCHANGE INFORMATION

As at 31 August 2012.

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

TWENTY LARGEST SHAREHOLDERS (numbers are on post consolidation basis)

	Number	% of Class
GEOFFREY ROBERT GARROTT	2,089,500	18.23%
KILLARNEY PROPERTIES P/L	1,212,245	10.58%
ENAK PTY LTD	809,994	7.07%
JOHN BEE & MARGARET BEE	720,000	6.28%
ROBERT MANSFIELD NIAL	452,200	3.95%
TABEDGE PTY LTD	357,143	3.12%
LI FAMILY	282,238	2.46%
BRIAROAKS PTY LTD	250,000	2.18%
ARTPRECIATION PTY LTD	202,700	1.77%
BARRIOS PTY LTD	190,846	1.67%
W&K ASSOCIATES PTY LTD	140,000	1.22%
DENNIS FRANK PAYNE	120,237	1.05%
MICHAEL CAIN & MARLENE CAIN	120,000	1.05%
KEACO CORPORATION P/L	106,555	0.93%
HOTTON FAMILY	105,950	0.92%
ADD VALUE RESOURCES PTY LTD	102,481	0.89%
TIM DON NOMINEES PTY LTD	100,000	0.87%
VALUTECH PTY LTD	91,308	0.80%
DANE W REID & GAVIN J REID	88,573	0.77%
JUDD FERGUSON	86,375	0.75%
TOTAL TOP 20:	<u>7,628,345</u>	<u>66.55%</u>
TOTAL ISSUED:	11,461,797	100.00%

HOLDERS OF EACH CLASS OF EQUITY SECURITY

The company has issued:

- 11,461,797 ordinary fully paid shares to 682 shareholders.
- 2,235,135 options to subscribe for ordinary shares to 34 option holders.
- 44 secured notes convertible into 5,500,000 shares to 11 note holders.
- 20 unsecured notes convertible into 1,428,580 shares to 5 note holders.

VOTING RIGHTS

There are 11,461,797 ordinary fully paid shares held by 682 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
GEOFFREY ROBERT GARROTT	2,089,500	18.23%
KILLARNEY PROPERTIES P/L	1,212,245	10.58%
ENAK PTY LTD	809,994	7.07%
JOHN BEE & MARGARET BEE	720,000	6.28%

In addition to the above shareholdings:

- Garrott holds 4 secured notes convertible into 500,000 shares, 8 unsecured notes convertible into 571,432 shares and options to subscribe for 57,143 shares
- Killarney holds 10 secured notes convertible into 1,250,000 shares and options to subscribe for 140,625 shares

DISTRIBUTION OF SHARES

Size of Holdings	Number of Holders	Number of Shares	%
1 to 1,000	289	99,885	.87
1,001 to 5,000	201	581,384	5.07
5,001 to 10,000	66	491,363	4.29
10,001 to 100,000	109	3,315,745	28.93
100,001 and over	17	6,973,420	60.84
TOTAL	<u>682</u>	<u>11,461,797</u>	<u>100.00</u>

HOLDERS OF LESS THAN A MARKETABLE PARCEL OF QUOTED ORDINARY SHARES

Number of Holders	% of Total Holders	Number of Shares	% of Total Quoted
Shares			
325	47.65%	147,587	1.29%



world reach

World Reach Limited

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SatPhone Shop

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