

27 February 2018

The Manager
Market Announcements Platform
Australian Securities Exchange

Appendix 4D Half Year Report and Financial Report

The Company encloses its Appendix 4D (Half Year Report) and Half Year Financial Report for the six months ended 31 December 2017, including audited Financial Statements, Notes to the accounts, Directors Report and Auditors Review Report, for immediate release.

Yours faithfully



Dennis Payne
Company Secretary

WORLD REACH LIMITED
ABN 39 010 568 804

Appendix 4D
Half Year Report
Half Year ended 31 December 2017

The information contained in this Appendix 4D should be read in conjunction with the most recent Annual Report covering the financial year ending 30 June 2017.

1. Reporting periods

Current reporting period	Half year ended 31 December 2017
Previous corresponding periods	Half year ended 31 December 2016 Financial year ended 30 June 2017

2. Results for announcement to the market

		\$A	
2.1	Total revenue	Up 7.38%	to \$ 5,088,441
2.2	Profit (loss) from ordinary activities after tax attributable to members	Down \$301,895 from loss for half year 31 December 2016 of \$(278,963)	to \$(580,858)
2.3	Net profit (loss) for the period attributable to members	Down \$301,895 from loss for half year 31 December 2016 of \$(278,963)	to \$(580,858)
2.4	Dividends (distributions)	Amount per security	Franked amount per security
	Final dividend	NIL ¢	NIL ¢
	Interim dividend	NIL ¢	NIL ¢
	Previous corresponding period:		
	Final dividend	NIL ¢	NIL ¢
	Interim dividend	NIL ¢	NIL ¢
2.5	Record date for determining entitlements to the dividend	N/A	

2.6 EXPLANATION

Total group revenue for the half year to 31 December 2017 increased over the same period of the previous year, mainly due to the delivery of 2500 GO! units to Iridium in October 2017 which completed the third major order for this product.

However the increased gross profit from the improved sales revenue was insufficient to offset increased overhead costs which resulted in a significantly increased net loss result for the first half of the 2018 financial year.

The completion of the major development project previously announced and described to the market was not completed in November as anticipated, due to some relatively minor but still important issues, which were beyond the Company's control or responsibilities. The first deliveries (and hence the initial sales revenues) of the 'Thuraya WE', developed and manufactured for the Thuraya Corporation, have now been deferred until March 2018 (\$1.3m sales value). 70 pilot units were supplied and invoiced in December

Accordingly, the balance of the Company's product development and delivery programs were heavily and prudently revised in the second half of 2017 as delays experienced with project sponsors on product specifications saw revenues deferred while costs continued to accrue. Despite the group exercising restraint in terms of overhead expenditure this inevitably resulted in additional engineering costs being partially expensed rather than, as anticipated, capitalized into projects.

The initial Thuraya WE delivery will be quickly followed by two further deliveries, expected to occur also in the first half of calendar 2018 (delivering a further \$2.6m of sales revenues) and the Company has secured a fourth order for 5000 GO! units to be delivered in the first half of calendar 2018. These combined deliveries and the revenues flowing from them, as well as the group's organic operations, are expected to enable the group to deliver a profitable result over the course of the entire financial year.

3. Net Tangible Assets per security

	31 December 2017 Cents per share	30 June 2017 Cents per share
Net tangible assets per security	6.0749¢	6.5188¢

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

4.1 Name of the entity.

N/A

4.2 The date of the gain or loss of control.

N/A

4.3 Where material to an understanding of the report – the contribution of such entities to the reporting entity’s profit from ordinary activities during the period and the profit or loss of such entities during the whole of the previous corresponding period.

Current period	Previous corresponding Period
N/A	N/A

5. Individual and Total Dividend or Distribution Payments

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

6. Dividend or Distribution Reinvestment Plans

N/A

7. Details of associates and joint venture

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

8. Foreign entity accounting standards

N/A

9. Independent review of the financial report

The financial report has been independently reviewed and all matters are adequately stated.

Signed by Chairman:



Name: Mr Simon Wallace

Date: 27 February 2018

**World Reach Limited
and Controlled Entities**

ABN 39 010 568 804

Half-year financial report
for the half-year ended 31 December 2017

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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017**

TABLE OF CONTENTS

	Page
Directors' Report	2
Auditor's Independence Declaration	5
Financial Report for the half-year ended 31 December 2017	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
Directors' Declaration	13
Independent Auditor's Review Report	14

DIRECTORS' REPORT

The Directors of World Reach Limited submit herewith the Consolidated Financial Report of World Reach Limited and controlled entities ('Group') for the half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

Directors:

The names of the Directors of the Company during, or since the end of, the half-year are:

Non-Executive Directors:

Mr Carl Cheung Hung

Mr David Stewart (appointed 9 November 2017)

Mr Simon Wallace

Managing Director:

Mr Michael Ian Capocchi

Review of Operations

The consolidated Group financial results for the half-year ended 31 December 2017 and comparative results for the half-year ended 31 December 2016 are as follows:

	1 July 2017 to 31 Dec 2017 \$	1 July 2016 to 31 Dec 2016 \$
Revenue	5,088,441	4,738,668
Operating expenses	<u>(5,635,412)</u>	<u>(4,991,711)</u>
Operating loss before interest and tax	(546,971)	(253,043)
Interest	(21,614)	(24,522)
Income tax expense	<u>(12,273)</u>	<u>(1,398)</u>
Loss for the period	<u>(580,858)</u>	<u>(278,963)</u>
	At 31 Dec 2017	At 31 Dec 2016
Financial position / total equity	\$8,433,638	\$7,432,138
Cash and cash equivalents	\$1,048,043	\$ 766,112

Performance so far

The principal activity of the Group during the half-year ended 31 December 2017 has been the manufacture and global distribution of satellite communication terminals and handheld phone accessories.

Total Group revenue for the half year to 31 December 2017 increased over the same period of the previous year mainly due to the delivery of 2500 Iridium GO!® units to Iridium in October 2017 which completed the third major order for this product.

However the increased gross profit from the improved sales revenue was insufficient to offset increased overhead costs which resulted in a significantly increased net loss result for the first half year.

The major development project previously announced and described to the market was not completed in November as anticipated, due to some relatively minor but still important issues beyond the Company's control or responsibilities. The first of the contracted deliveries (and hence the initial sales revenues) of the

new product, the 'Thuraya WE', developed and manufactured for Thuraya Telecommunications, have now been delayed until March 2018 (\$1.3m sales value). 70 pilot units were supplied and invoiced in December.

Despite exercising restraint in terms of overhead expenditure, significant delays and cost changes to the Company's product development program in the half year, inevitably resulted in additional engineering costs being partially expensed rather than, as anticipated, capitalized into projects.

Outlook and Projects

The initial delivery to Thuraya will be quickly followed by two further deliveries also in the first half of calendar 2018 (delivering a further \$2.6m of sales revenues). The minor delaying issues are in the process of being resolved and over 800 units have already been produced but are waiting on final clearance. Unfortunately Chinese New Year holidays make production in China during February difficult.

The Company has secured a fourth order for 5000 Iridium GO!® units to be delivered in the first half of calendar 2018. The profit margins on the Iridium GO!® and the 'Thuraya WE' are similar to other products and hence the recovery in sales revenue in the second half year will see a lift in gross and net profit which will produce a profit result for the full financial year to 30 June 2018.

While the Thuraya project continued, the other major components of the Company's product development program and especially the BGAN Radio Module ('BRM') project for Inmarsat plc, were heavily and prudently revised in the second half of 2017 with significant delays and cost changes as product designs and specifications were being negotiated with the project sponsors.

The revisions to the new product development program during the 2017 year have led to the bringing forward of later projects and also the introduction of some innovative new ideas and potential product lines which are currently being worked on. The new program will benefit sales in FY2019 and beyond, while the longer term viability of the Inmarsat BRM project is being assessed. Some of these new projects will require significant cash development funds, possibly in place of expenditure on the BRM development, while other products are likely to require much less engineering and development time.

Cash and Funding

Naturally the delayed revenue had a negative effect on the Group's cash flow however with strong cost control and the slowdown in expenditure on major projects the impact was relatively slight. In reserve are pre-approved and largely undrawn loan facilities of \$3,300,000. The Group currently has no debt apart from occasional minor use of the bank overdrafts.

In August 2017 the Company announced the investment of \$1,940,000 by way of a share placement which was completed on 12 September. The net funds of \$1,862,000 will be used to fund the progression of existing and prospective product developments while limiting the Company's reliance on existing debt facilities. The cash investment will save the Company over \$150,000 in interest in FY2018.

To ensure funding for its development program, World Reach Limited had previously entered into a loan agreement for a secured loan finance facility of up to \$US2,000,000, ('*Finance Facility*') by SGV1 Holdings Limited ('SGV1'). The interests of SGV1 are secured by a general security interest granted over the Company's assets and undertakings. The security ranks behind the interests of the Company's transactional financier, National Australia Bank Limited. The Finance Facility has been available from 1 January 2017 but is currently undrawn. The term of the facility is 36 months.

\$601,000 was received in July 2017 from the Australian Government R&D fund which subsidises costly investment in new product development, related to expenditure in FY2016. This is brought to profit on a monthly straight-line basis matching the amortization of the related development project. Throughout the half year to 31 December 2017 the grant take up and the amortization expense was for the Iridium GO!® product (smartphone access to global satellite communications). The Group is currently preparing an R&D grant submission for lodgement related to FY2017 expenditure largely for the 'Thuraya WE'.

DIRECTORS' REPORT

Having the above-mentioned funding facilities in place combined with contracted revenues of US\$3,000,000 in respect to the imminent sales to Thuraya Telecommunications, give us confidence and enthusiasm as to the Group's prospects and revenue outlook for the balance of FY2018 and beyond. This would not have been possible had the Board not taken a prudent approach to cash management in the recent past, while also funding new developments to ensure the Group remains a market leader in its chosen segments.

Directors and Investors

World Reach Limited Group director Mr Carl Hung is managing director of SGV1, which holds a strategic investment of 17.48% in World Reach Limited. SGV1 is a company associated with Season Group ('Season') of which Mr Hung is President and CEO. In recent years Season has played a significant role by assisting the Group with engineering, tool making and testing facilities for new products as well as contract manufacturing for the majority of our products in Guangdong, China.

The share placement described above was to Glenayr Pty Ltd, an entity associated with and controlled by Mr David Stewart of Sydney, Australia, who now holds 19.93% of the shares in the Company. The placement conferred a right to a board position which Mr Stewart enthusiastically accepted. Mr Stewart, founded Banksia Technology Pty Ltd in 1988 and successfully managed the company as a fast growing and highly profitable business. In 1996 he instigated the takeover of NetComm Limited and assumed the role of Managing Director and CEO of NetComm Limited (ASX:NTC). He was instrumental in expanding the business, reputation and revenues of that company over two decades, delivering annual revenues of over \$85M (FY2016), until his retirement in December 2016. David was welcomed to our board on 9 November.

The placement and David's decision to join the board reflects the investor's positive view of the Company's growth prospects in the communications sector as it continues to embark on the release of new and innovative communication products. The Company has already benefited from David's technical and commercial expertise in assisting the assessment of the future development program for the Company.

Significant changes in the state of affairs

Other than stated above, there have been no significant changes in the consolidated group's state of affairs during the period.

Auditor's Declaration of Independence

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

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

On behalf of the directors.



Mr Simon Wallace
Chairman

Signed in Melbourne, 27 February 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61 (0) 3 9286 8000
F +61 (0) 3 9286 8199

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of World Reach Limited for the half year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink, appearing to read "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "J S Croall".

J S CROALL
Partner

Dated: 27 February 2018
Melbourne, VIC

WORLD REACH LIMITED AND CONTROLLED ENTITIES
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half-year ended	
		31-Dec-17	31-Dec-16
		\$	\$
Revenue		5,088,441	4,738,668
Changes in inventories of raw materials, finished goods and work in progress		885,966	(299,646)
Raw materials, consumables and other costs of sale		(3,957,843)	(2,497,268)
Employee benefits expense		(1,545,211)	(1,081,148)
Amortisation expense		(168,918)	(254,864)
Depreciation expense		(40,005)	(37,609)
Finance costs expense		(21,614)	(24,522)
Consultancy and contractor expense		(94,914)	(137,813)
Legal and insurance expense		(103,005)	(96,546)
Accounting, share registry and secretarial expenses		(38,955)	(37,839)
Auditor remuneration expense		(29,636)	(29,373)
Marketing and ICT expense		(135,212)	(129,397)
Other expenses		<u>(407,679)</u>	<u>(390,208)</u>
Loss before income tax expense		(568,585)	(277,565)
Income tax expense	3	<u>(12,273)</u>	<u>(1,398)</u>
Loss after income tax expense for the half-year		(580,858)	(278,963)
Other comprehensive income		-	-
Total comprehensive loss for the half-year		<u><u>(580,858)</u></u>	<u><u>(278,963)</u></u>
Loss and total comprehensive loss are both fully attributable to owners of the Company			
Overall operations			
Basic loss per share (cents)	2	(1.19)	(0.65)
Diluted loss per share (cents)	2	(1.19)	(0.65)

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

WORLD REACH LIMITED AND CONTROLLED ENTITIES
 ABN 39 010 568 804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2017

	Note	31-Dec-17 \$	30-Jun-17 \$
Current assets			
Cash and cash equivalents		1,048,043	595,734
Inventories		3,511,023	2,625,058
Trade and other receivables	4	1,532,801	1,617,641
Total current assets		<u>6,091,867</u>	<u>4,838,433</u>
Non-current assets			
Plant and equipment		122,406	169,432
Deferred tax assets		1,349,789	1,349,789
Intangible assets	5	5,221,637	4,338,410
Total non-current assets		<u>6,693,832</u>	<u>5,857,631</u>
Total assets		<u>12,785,699</u>	<u>10,696,064</u>
Current liabilities			
Trade and other payables	6	3,570,018	2,895,417
Provisions		764,572	638,671
Total current liabilities		<u>4,334,590</u>	<u>3,534,088</u>
Non-current liabilities			
Employee benefits		17,471	9,195
Total non-current liabilities		<u>17,471</u>	<u>9,195</u>
Total liabilities		<u>4,352,061</u>	<u>3,543,283</u>
Net assets		<u>8,433,638</u>	<u>7,152,781</u>
Equity			
Issued capital	8	7,646,640	5,784,925
Reserves		411,189	493,089
Retained earnings		375,809	874,767
Total equity		<u>8,433,638</u>	<u>7,152,781</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 HALF-YEAR ENDED 31 DECEMBER 2017

	Issued capital \$	Reserves \$	Retained earnings \$	Total equity \$
Balance at 1 July 2016	5,784,925	668,780	1,257,396	7,711,101
Total comprehensive loss attributable to owners of the Company	-	-	(278,963)	(278,963)
Transactions with owners in their capacity as owners				
- Adjustment for employee share options lapsed	-	(107,093)	107,093	-
Balance at 31 December 2016	5,784,925	561,687	1,085,526	7,432,138
Balance at 1 July 2017	5,784,925	493,089	874,767	7,152,781
Total comprehensive loss attributable to owners of the Company	-	-	(580,858)	(580,858)
Transactions with owners in their capacity as owners				
- Shares issued, net of transaction costs	1,861,715			1,861,715
- Adjustment for employee share options lapsed		(81,900)	81,900	-
Balance at 31 December 2017	7,646,640	411,189	375,809	8,433,638

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

CONSOLIDATED STATEMENT OF CASH FLOWS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Half-year ended	
	31-Dec-17	31-Dec-16
	\$	\$
Cash flow from operating activities		
Receipts from customers	5,557,283	4,767,701
Payments to suppliers and employees	(6,475,324)	(5,019,953)
Interest and finance charges paid	(21,614)	(24,522)
Income tax paid	(12,273)	(1,398)
Interest received	7,297	2,361
Net cash used in operating activities	<u>(944,631)</u>	<u>(275,811)</u>
Cash flow from investing activities		
Development costs capitalised	(1,052,144)	(1,413,843)
Purchases of plant and equipment	(13,232)	(56,084)
Research and development grant receipts	600,601	223,952
Net cash used in investing activities	<u>(464,775)</u>	<u>(1,245,975)</u>
Cash flow from financing activities		
Net cash proceeds on share placement	1,861,715	-
Net cash provided by financing activities	<u>1,861,715</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	452,309	(1,521,786)
Cash and cash equivalents at beginning of half-year	595,734	2,287,898
Cash and cash equivalents at end of half-year	<u>1,048,043</u>	<u>766,112</u>

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

1 Summary of significant accounting policies

(a) Reporting entity

World Reach Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX Code: WRR). The consolidated interim financial report of the company as at 31 December 2017 comprises the parent company and its subsidiaries (together referred to as 'the consolidated entity' or 'the Group').

(b) General information and basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not include all of the information required in annual financial statements in accordance with Australian Accounting Standards. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the following half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The consolidated interim financial statements have been approved and authorised for issue by the Board of Directors on 23 February 2018.

(c) Accounting policies

The accounting policies applied in preparing these consolidated financial statements for the half-year ended 31 December 2017 are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2017.

(d) New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2 Loss per share

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of the Parent Company as the numerator. i.e. no adjustments to loss were necessary for the six months to 31 December 2017 and 31 December 2016.

Overall operations

Basic loss per share	(1.19)	(0.65)
Diluted loss per share	(1.19)	(0.65)

	<u>No.</u>	<u>No.</u>
Weighted average number of ordinary shares used in the calculation of Basic / Diluted Loss Per Share	48,972,365	43,173,452

Anti-dilutive options have not been considered in the dilutive earnings per share calculation due to the average market price being less than the exercisable price.

3 Income tax

Income tax expense	<u>12,273</u>	<u>1,398</u>
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Income tax expense relates to the payment of income tax by the company's wholly owned subsidiary, Beam Communications USA Inc, a company incorporated in the USA. Profits earned in the USA are not offset by the tax losses available to the Australian operations, which were disclosed in the most recent annual financial report as at 30 June 2017.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

4 Trade and other receivables	Half-year ended	Full-year ended
	31-Dec-17	30-Jun-17
	\$	\$
(a) Trade and other receivables consist of the following:		
Trade receivables	1,012,128	1,231,608
Provision for impairment of receivables	-	(58,420)
Other receivables and prepayments	404,643	328,423
Rental security deposit	116,030	116,030
	<u>1,532,801</u>	<u>1,617,641</u>

(b) Ageing reconciliation	Gross amount	Within trade terms	Past due but not impaired (days overdue)			Past due & impaired
			31 - 60	61 - 90	90+	
31-Dec-17						
<u>Current</u>						
Trade receivables	1,012,128	533,885	275,646	104,977	97,620	-
Other receivables	404,643	404,643	-	-	-	-
Rental security deposit	116,030	116,030	-	-	-	-
	<u>1,532,801</u>	<u>1,054,558</u>	<u>275,646</u>	<u>104,977</u>	<u>97,620</u>	<u>-</u>
30-Jun-17						
<u>Current</u>						
Trade receivables	1,231,608	965,740	91,395	92,256	23,797	58,420
Other receivables	328,423	328,423	-	-	-	-
Rental security deposit	116,030	116,030	-	-	-	-
	<u>1,676,061</u>	<u>1,410,193</u>	<u>91,395</u>	<u>92,256</u>	<u>23,797</u>	<u>58,420</u>

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

5 Intangible assets	Half-year ended	Full-year ended
	31-Dec-17	30-Jun-17
	\$	\$
Development costs capitalised - at cost	11,198,569	10,146,425
Accumulated amortisation and impairment	(5,976,932)	(5,808,014)
	<u>5,221,637</u>	<u>4,338,410</u>

(a) Movements in carrying amounts		
Balance at the beginning of period	4,338,410	2,076,589
Additional costs capitalised	1,052,144	2,685,603
Amortisation expense	(168,918)	(423,782)
Balance at the end of period	<u>5,221,637</u>	<u>4,338,410</u>

6 Trade and other payables		
Trade payables and accruals	1,596,017	1,532,598
Deferred income	1,974,001	1,362,819
	<u>3,570,018</u>	<u>2,895,417</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

7 Finance facilities

Bank facilities

All bank facilities are secured by first ranking Registered Mortgage Debenture over the Group's assets including uncalled capital and called but unpaid capital. At 31 December 2017, the group had the following unused bank facilities:

- an Australian dollar overdraft with a limit of \$300,000. The overdraft was not utilised at 31 December 2017.
- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 31 December 2017.

Bank guarantee facilities of the Consolidated Group total \$150,000 of which \$100,000 has been allocated to a subsidiary company and \$50,000 to the parent. These facilities were fully utilised as at 31 December 2017.

The Consolidated Group's banking facilities are subject to the Group satisfying quarterly covenants set by the bank. The Group did not meet all covenants during the period ended 31 December 2017 however the bank reconfirmed the banking facilities as continuing on 23 August 2017.

Other facilities

The group has a secured loan finance facility with SGV1 Holdings Limited for US\$2,000,000. As at 31 December 2017 none of this facility had been drawn down. The security is a general security interest over the group's assets and undertakings, ranking second behind the bank's facilities. The secured loan facility is for a 36 month term from 1 January 2017 and will be utilized mainly for the purposes of funding new product development.

8 Issued capital

Issued and paid up capital

Ordinary shares fully paid
 Total issued capital

Half-year ended 31-Dec-17		Full-year ended 30-Jun-17	
Shares	\$	Shares	\$

52,873,452	7,646,640	43,173,452	5,784,925
<u>52,873,452</u>	<u>7,646,640</u>	<u>43,173,452</u>	<u>5,784,925</u>

Balance at 30 June 2016 & 30 June 2017
 - Shares issued (net of costs)
 Balance at 31 December 2017

Number of shares	\$
43,173,452	5,784,925
9,700,000	1,861,715
<u>52,873,452</u>	<u>7,646,640</u>

Share Issue

On 12th September 2017, World Reach Limited completed the issue of shares to Glenayr Pty Ltd, an entity associated with and controlled by Mr David Stewart which subscribed for a placement of ordinary shares at \$0.20 per share. The issue raised \$1,940,000, less costs of \$78,285, for working capital purposes. This placement conferred the right to appoint a director to the group, which was used to appoint Mr David Stewart to the board of World Reach Limited.

9 Segment reporting

Sole operating segment

The Group has identified operating segments based upon internal reports that are reviewed and used by the Directors in assessing performance and determining the allocation of resources in respect of its satellite communications products services and online sales. As the online sales segment operated by SatPhone Shop Pty Ltd, a wholly owned subsidiary company, does not meet the quantitative threshold for separate disclosure, the company considers its aggregate segment as its sole segment.

Revenue and results are fully disclosed in the consolidated statement of profit or loss and other comprehensive income for the aggregated sole operating segment.

The consolidated statement of financial position discloses the sole operating segment assets and liabilities which are held within Australia.

10 Related party transactions

(a) Transactions with related parties:

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(b) Finance facility with related parties:

On 19 October 2016 the Group entered into a secured finance facility with a major shareholder, SGV1 Holdings Limited, a company associated with Mr Carl Hung, a Director of World Reach Limited. Refer to note 7 for further details.

11 Events after the end of the interim period

The Directors are not aware of any significant events since the end of the interim period.

DIRECTORS' DECLARATION

The directors of World Reach Limited declare that:

1. the financial statements and notes as set out in pages 6 to 12 are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements;
 - (b) give a true and fair view of the financial position as at 31 December 2017 and of the performance for the period ended on that date of the company and consolidated group;
 - (c) the financial records of the company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
 - (d) any other matters that are prescribed by the regulations for the purposes of this declaration in relation to the financial statements and the notes for the financial year are also satisfied.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made by the Chief Executive Officer and Chief Financial Officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the half year ending 31 December 2017.

This declaration is made in accordance with a resolution of the Board of Directors on 23 February 2018.



Mr Simon Wallace
Chairman

Signed in Melbourne, 27 February 2018

RSM Australia Partners

Level 21, 55 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007

T +61(0) 3 9286 8000

F +61(0) 3 9286 8199

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT**TO THE MEMBERS OF****WORLD REACH LIMITED****Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of World Reach Limited which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of World Reach Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



J S CROALL

Partner

27 February 2018
Melbourne, VIC