



**Beam Communications Holdings Limited**  
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29 August 2019

The Manager  
Market Announcements Platform  
Australian Securities Exchange

**Appendix 4E and Audited Financial Statements and Reports for year ending 30 June 2019**

The Company encloses its Appendix 4E (Final Report) together with Audited FY2019 Financial Statements and Reports including all Notes to the Accounts as well as the Directors' Reports.

Yours faithfully

A handwritten signature in black ink, appearing to read "Dennis Payne". The signature is fluid and cursive, with a prominent loop at the end.

Dennis Payne  
Company Secretary

**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
**(Formerly World Reach Limited)**  
**ABN 39 010 568 804**

**Appendix 4E**  
**Final Report**  
**Year ended 30 June 2019**

**1. Reporting periods**

Current reporting period      Year ended 30 June 2019  
Previous corresponding period   Year ended 30 June 2018

**2. Results for announcement to the market**

Results for the year ended 30 June 2019

|     |   | \$A  |                     |
|-----|---|--|---------------------|
| 2.1 | Revenue from ordinary activities  | Up 59.1%   | To 18,520,528       |
| 2.2 | Profit from ordinary activities after tax attributable to members   | Profit up by 1,904,263 on FY2018 loss of 1,565,134 | To 339,129          |
| 2.3 | Net profit for the period attributable to members   | Profit up by 1,904,263 on FY2018 loss of 1,565,134 | To 339,129          |
| 2.4 | Dividends (distributions)   | Amount per security                                | 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   |  |                     |
|     | The Consolidated Group's results for the year ended 30 June 2019 reflect a major turnaround from FY2018. Three important factors contributed to the increase in total Group revenue by 59.1% over the previous year:  |  |                     |
|     | <ul style="list-style-type: none"><li>- Two major shipments of WE units to Thuraya Telecommunications in October and November 2018, which alone accounted for \$3.85m in revenue and completed the initial contract quantity.</li><li>- Three deliveries to Iridium, each of 2,500 Iridium GO!® units, in July 2018, January 2019 and May 2019, were valued at \$2.75m in total.</li><li>- A significant lift in sales orders for existing Beam and SatPhone Shop products, with consistent growth enjoyed across the whole year.</li></ul> |  |                     |
|     | The much-improved sales revenues increased gross profit before operating costs to \$7.1m, well ahead of FY2018's \$4.2m. The improving demand for Beam's base products, including docking units, fixed terminals and accessories was evident in the later months of FY2018 and this recovery contributed significantly to the Group's positive net profit position in FY2019.   |  |                     |
|     | Refer also to Item 14 – Commentary on results for the year.   |  |                     |

**3, 4, 5 & 6. Statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows and statement of changes in equity.**

Refer to the attached financial statements together with notes for the year ended 30 June 2019.

**7. Individual and total dividend or distribution payments**

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

**8. Dividend or distribution reinvestment plans**

N/A

**9. Net tangible assets/ (liabilities) per security**

|   | <b>30 June 2019<br/>Cents per share</b> | <b>30 June 2018<br/>Cents per share</b> |
|---|---|---|
| Net tangible assets / (deficiency of assets) per security | 4.1764                                  | 4.9436                                  |

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

10.1 Name of the entity.

N/A

10.2 The date of the gain or loss of control.

N/A

10.3 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 |
|----------------|-------------------------------|
| \$<br>N/A      | \$<br>N/A                     |

## 11. Details of associates and joint venture entities

| 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            |           |                                    |                               |                            |                               |

## 12. Other significant information

On 30 July 2019 the Company released to the ASX a statement that an entity controlled by non-executive Director Carl Hung had sold 3.8 million Beam shares, or 42% of its holding in Beam, to raise cash for its Chinese businesses. On 19 August 2019 the Company announced the formation of a joint venture with Roadpost Inc., a Canadian company, to develop and market a new satellite messaging and SOS device.

Other than the above, there have been no significant events since the end of the reporting period.

### 13. Foreign entities

N/A

### 14. Commentary on results for the year

The principal activities of the Group during the year were the design, development, manufacture and global sales and distribution of its extensive range of satellite communication terminals, docking units, accessories and data airtime services.

A summary of the results for the year follows:

|  | <b>2019<br/>(\$000)</b> | <b>2018<br/>(\$000)</b> |
|--|-------------------------|-------------------------|
| Revenue  | \$18,521                | \$11,638                |
|  |                         |                         |
| Deduct:  |                         |                         |
| Cost of goods sold, research & development,<br>administrative marketing and corporate expenses | \$(16,417)              | \$(12,245)              |
| <b>Operating profit before amortisation,<br/>depreciation, interest and tax</b>                | <b>\$2,104</b>          | <b>\$(607)</b>          |
|  |                         |                         |
| Deduct:  |                         |                         |
| Amortisation   | \$(1,179)               | \$(694)                 |
| Depreciation   | \$(63)                  | \$(77)                  |
| Interest   | \$(140)                 | \$(54)                  |
| <b>Operating profit/(loss)</b>   | <b>\$722</b>            | <b>\$(1,432)</b>        |
| Net tax benefit/(expense)  | \$(383)                 | \$(133)                 |
| <b>Net profit/(loss) for year</b>  | <b>\$339</b>            | <b>\$(1,565)</b>        |

The Beam Group's activities and results for the year ended 30 June 2019 reflect a vastly improved performance with a record revenue and pre-tax profit result for the Group. Total Group revenue for the year increased by 59% over the previous year.

Two major shipments of WE units to Thuraya Telecommunications in October and November 2018, alone accounted for \$3.85m in revenue. These completed the 3000 unit initial contract order. Issues during FY2018, which were largely outside Beam's control, interrupted the finalisation of the Thuraya WE device and delayed the final deliveries until well into FY2019.

Having completed for Iridium the fourth order of Iridium GO! ® units in July 2018 with a delivery of 2500 units, Beam fulfilled 50% of the fifth order for 5,000 units in January 2019 and the balance was shipped in May 2019. These shipments of 2500 units each were valued in total at \$2.75m.

The improving demand for Beam's docking units, fixed terminals and accessories was evident in the later months of FY2018 and the significant momentum continued consistently throughout FY2019, including Beam's entry into the Indian market with orders for Inmarsat based products reaching US\$250,000 by 30 June 2019. This recovery contributed significantly to the Group's positive net profit position in FY2019, especially in the second half of the year which did not benefit from the major delivery of WE units shipped in the first half.

Revenue from the SatPhone Shop division in FY2019 was up 18% on FY2018, to \$1.25m, with record sales achieved in the June Quarter of 2019. This included a growing number of sales to larger organisations and semi-government bodies, and a steady expansion of the market for rental equipment and pre-paid SIM cards.

The Group's much-improved sales revenues increased gross profit before operating costs to \$7.1m, well ahead of FY2018's \$4.2m. Operating costs grew at a slower pace than revenue growth to \$5.8m, from last year's \$4.6m. Cost controls offset some of the rise, which was caused by a number of good reasons, some beyond Beam's control. Operating costs included foreign exchange losses totaling \$99,000, start-up costs of Zoleo Inc. amounting to \$327,000 (Beam's 50% share), \$150,000 associated with new product development processes and increased finance costs of \$86,000. The end result was a Net Profit Before Tax of \$722,000, representing an improvement of \$2.15m on FY2018, and an EBITDA in FY2019 of \$2.1m.

The total cost of project amortisation for the FY2019 year was \$1.18m, wholly attributable to the Thuraya WE development, which is being amortised over three years from March 2018. This was partly offset by the recording of Australian Government R&D grants worth \$741,000, the majority of which also related to the Thuraya WE project.

Partial utilisation of the Group's deferred tax assets (mainly accumulated tax losses) against the year's taxable profit resulted in an accounting tax expense of \$365,000 in Australia. The Group's USA subsidiary incurred taxes of \$18,000, which are unable to be claimed against Australian tax losses.

## 15. Audit

The financial statements for the year ended 30 June 2019 have been audited and will not be qualified or include any emphasis of matter.

**Signed by Chairman:**



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**Mr Simon Wallace**  
**Date: 29 August 2019**

**Beam Communications Holdings Limited  
and Controlled Entities**

(Formerly World Reach Limited)

ABN 39 010 568 804

Final report  
for the financial year ended 30 June 2019

including Directors' Report

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## **DIRECTORATE**

### **NON-EXECUTIVE CHAIRMAN**

Mr Simon Lister Wallace

### **MANAGING DIRECTOR**

Mr Michael Ian Capocchi

### **NON-EXECUTIVE**

### **DIRECTORS**

Mr Carl Cheung Hung

Mr David Paul James Stewart

### **COMPANY SECRETARY**

Mr Dennis Frank Payne

## **REGISTERED OFFICE**

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## **SHARE REGISTER**

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Fax: (02) 9287 0303

## **SOLICITORS TO THE COMPANY**

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Ph: (03) 8621 8880

## **AUDITOR**

RSM Australia Partners

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MELBOURNE VIC 3000

Ph: (03) 9286 8000

Fax: (03) 9286 8199

## **ASX OFFICE**

Based in Melbourne

## **ASX CODE**

BCC



## DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2019.

On 22 November 2018 the Company changed its name from World Reach Limited to Beam Communications Holdings Limited (ASX: BCC).

## 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:

Simon Lister Wallace  
Michael Ian Capocchi  
Carl Cheung Hung  
David Paul James Stewart

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

### Simon Lister Wallace – Chairman

Age: 45

Simon Wallace is a corporate lawyer and, based in Melbourne, he is presently an equity partner of Dentons, which is the largest law firm in the world.

Simon has extensive legal and commercial proficiency, with particular expertise in the areas of project finance, fundraising and corporate governance. He also has substantial professional experience in the areas of investment banking, structured and direct equity investments, product formulation and sales.

More recently, he was a director of ASX-listed Hastings Rare Metals Limited (now known as Hastings Technology Metals Limited) until November 2014.

Simon is admitted to practise as a barrister and solicitor of the Supreme Court of Victoria, the Federal Court of Australia and the High Court of Australia, and he holds degrees from the Australian National University in both Law and Commerce.

Simon has been a Director since 5 February 2015 and was elected Chairman on 22 December 2016.

### Michael Ian Capocchi – Managing Director

Age: 48

Michael Capocchi has over 20 years' experience in the ICT industry and has held several senior management positions. Michael is based in Chicago, USA, which places him closer to the important centres for satellite communications in the USA and UK/Europe.

Michael joined Beam Communications Holdings Limited as the General Manager of the subsidiary, Beam Communications Pty Ltd, in 2003 and was appointed as Managing Director of Beam Communications Holdings Limited in March 2008.

Prior to joining Beam, Michael was the Regional Sales Director for Iridium Satellite LLC, directly managing the sales, distribution and channel management strategies for the Asia-Pacific region.

Michael has 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.

Michael Capocchi is an integral part of the Beam business, including managing the day to day operations of the group which occasions extensive domestic and international travel.

### Carl Cheung Hung – Non Executive Director

Age: 35

Carl Hung has a Bachelor of Commerce degree from the University of British Columbia and an Executive Masters of Business Administration from University of Western Ontario's (UWO) Richard Ivey School of Business. He is a Six Sigma Black Belt certified by SGS. He is also a Certified Management Accountant.

Carl is President and CEO of Season Group International Inc, a global Electronic Manufacturing Services provider. He has helped grow the company from USD15 million in 2002 to USD161 million in 2016, expanding the company's footprint from China, Canada and Malaysia to include the USA, Mexico and UK.

Season Group has been the preferred contract manufacturer for Beam Communications Pty Ltd for several years and has been instrumental in rationalising Beam's manufacturing and supply processes. Carl has been a Director of Beam Communications Holdings Limited since 21 February 2013.

### David Paul James Stewart – Non Executive Director

Age: 65

David Stewart is an experienced CEO and successful entrepreneur with more than 30 years in management and business leadership roles. David founded Banksia Technology Pty Limited in 1988 and successfully managed the company as a fast growing and highly profitable business. In 1996 he instigated the successful takeovers of a number of his competitors, including NetComm Limited, which was completed in November 1997. David assumed the role of CEO and Managing Director until retiring in December 2016. A year later David was appointed as a Non-Executive Director of NetComm Wireless Limited, a position he held until June 30, 2019 when NetComm was acquired by US-based Casa Systems.

In June 2016 David was recognised for his significant and valuable contribution to the Australian communications industry with the presentation of the Communications Ambassador 2016 award. The Australian Communications Ambassador award is the highest honour presented by ACOMMS Communications Alliance and CommsDay each year.

Since retiring, David began working with a number of tech startups in an advising and investing capacity. He was announced as Chairman for Pycom on July 1, 2017 and a Director of Beam Communications Holdings Limited on November 9, 2017, following investments in both. The start of 2018 saw David join the board of Lockbox Technologies and on August 14, 2019 he was announced as a board member for MyNetFone Group Limited.

### **Indemnification of Directors and Officers**

During the year, the economic entity has paid premiums in respect of an insurance contract to indemnify its directors and officers against liabilities that may arise from their positions. Directors and officers indemnified include the Company Secretary, 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 insurance contract.

### **Directorships of Other Listed Companies**

David Stewart was a non-executive director of NetComm Wireless Limited until June 30, 2019. No other director of Beam Communications Holdings Limited has been a director of a listed company in the three years immediately before the end of the financial year. On August 14, 2019 David was appointed a non-executive director of MyNetFone Group Limited (ASX:MNF).

### **COMPANY SECRETARY**

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

Prior to joining Beam Communications Holdings Limited Dennis 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 communication products and services, mainly satellite based.

## DIRECTORS' REPORT (continued)

### OPERATING RESULTS AND REVIEW OF ACTIVITIES

The Consolidated Group reports a total comprehensive income of \$339,129 for the FY2019 year on total revenue of \$18,520,528 (2018: total comprehensive loss of \$1,565,134 on revenue of \$11,638,170).

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

|  | 2019<br>\$000 | 2018<br>\$000 |
|--|---------------|---------------|
| Revenue  | 18,521        | 11,638        |
| <u>Deduct</u>  |               |               |
| Cost of goods sold, research & development, administrative, marketing and corporate expenses | 16,417        | 12,245        |
| Operating profit (loss) before amortisation, depreciation, interest and tax                  | 2,104         | (607)         |
| <u>Deduct</u>  |               |               |
| Amortisation   | 1,179         | 694           |
| Depreciation   | 63            | 77            |
| Interest   | 140           | 54            |
| Profit (loss) before income tax  | 722           | (1,432)       |
| Tax (expense) / benefit  | (383)         | (133)         |
| Net profit (loss) for the year   | 339           | (1,565)       |
| Total comprehensive income (loss) for the year   | 339           | (1,565)       |

#### Performance and Profit

The Beam Group's activities and results for the year ended 30 June 2019 reflect a vastly improved performance with a record revenue and pre-tax profit result for the Group in a major turnaround from FY2018.

Total Group revenue for the year increased by nearly 60% over the previous year. Highlights included:

- Two major shipments of WE units to Thuraya Telecommunications in October and November 2018, which alone accounted for \$3.85m in revenue and completed the initial contract quantity.
- Three deliveries to Iridium, each of 2,500 Iridium GO!® units, in July 2018, January 2019 and May 2019, were valued at \$2.75m in total.
- A significant lift in sales orders for existing Beam and SatPhone Shop products, with consistent growth enjoyed across the whole year.

The principal activity of the Group during FY2019 continued to be the manufacture and global distribution of satellite communication terminals, docking units and handheld phone accessories.

As previously advised, issues during FY2018, which were largely outside Beam's control, interrupted the finalisation of the Thuraya WE device and delayed the final deliveries until well into FY2019, completing the 3000 unit initial order.

Having completed for Iridium the fourth order of Iridium GO!® units in July 2018, Beam fulfilled 50% of the fifth order for 5,000 units in January 2019 and the balance was shipped in May 2019, bringing the total delivered so far to 35,000 units since mid-2014.

The improving demand for Beam's base products, including docking units, fixed terminals and accessories was evident in the later months of FY2018 and the momentum continued throughout FY2019. This recovery contributed significantly to the Group's positive net profit position in FY2019, especially in the second half of the year which did not benefit from the major delivery of WE units shipped in the first half.

SatPhone Shop, our on-line retail business and Telstra dealership, continues to expand its product range and sales volumes. Revenue from this division in FY2019 was up 18% on FY2018, to \$1.25m, with record sales achieved in the June Quarter of 2019. This included a growing number of sales to larger organisations and semi-government bodies, and a steady expansion of the market for rental equipment and pre-paid SIM cards.

The Group's much-improved sales revenues increased gross profit before operating costs to \$7.1m, well ahead of FY2018's \$4.2m. Operating costs grew at a slower pace than revenue growth to \$5.8m, from last year's \$4.6m. Cost controls offset some of the rise, which was caused by a number of good reasons, some beyond Beam's control. Operating costs included foreign exchange losses totaling \$99,000, start-up costs of Zoleo Inc. amounting to \$327,000 (Beam's 50% share), \$150,000 associated with new product development processes and increased finance costs of \$86,000. The end result was a Net Profit Before Tax of \$722,000, representing an improvement of \$2.154m on FY2018, and an EBITDA of \$2.1m.

The total cost of project amortisation for the FY2019 year was \$1.18m, wholly attributable to the Thuraya WE development, which is being amortised over three years from March 2018. This was partly offset by the recording of Australian Government R&D grants worth \$741,000, the majority of which also related to the Thuraya WE project.

Partial utilisation of the Group's deferred tax assets (mainly accumulated tax losses) against the year's taxable profit resulted in an accounting tax expense of \$365,000 in Australia. The Group's USA subsidiary incurred taxes of \$18,000, which are unable to be claimed against Australian tax losses.

Although the Directors expect sufficient future profitability to enable the full value of the deferred tax assets to be utilised, (these now stand at \$863,000 and are mainly derived from accumulated tax losses carried forward), the decision has been taken not to increase the proportion (currently 60%) taken up at this time, with a further demonstration of the Group's return to sustained profitability required before the board intends to consider doing so.

#### Cash and Funding

The greatly increased Group sales revenues were a major factor in generating stronger cash inflows. In the 12 months to 30 June 2019, trading activities generated \$2.1m cash inflow, net of all operating costs. The continued growth in the SatPhone Shop business and Beam-branded product sales provided improved monthly cash to support the cash flows from major contracted revenues.

The growth in cash comes at a time when Beam is increasing its investment in developing and launching a range of new products over the next few months, as previously announced, and expenditure on major development projects is presently the most significant application of cash for the Group. In FY2019, \$2.0m was expended on product developments and the June quarter saw an increase in the level of this investment, to \$667,000 for the period.

On 29 June 2019, \$832,000 was received from the Australian Government R&D fund, which encourages Australian investment in research and development. That amount related to Beam's R&D expenditure in FY2018 on three projects, but can mainly be aligned with the Thuraya WE product. The R&D grants are only brought to profit on a monthly straight-line basis matching the amortisation of the related development project over the relevant product's useful life once sales commence.

The Group's bank facilities were undrawn at 30 June 2019 with an in-funds balance of \$2.5m, bolstered by the R&D grant received just before the close of the year. The available bank loan facilities total \$740,000. The cash balance and the bank facilities are expected to be employed periodically during FY2020 in order to fund the Group's ongoing investment activities in this year.

Early in the financial year the Group's overdraft facilities were regularly accessed and the decision was made to make partial drawings on the facility from SGV1 Holdings Limited, arranged in late 2016, to ensure the availability of funding for Beam's full development program. Beam drew US\$0.66m from this US\$2m facility in the September quarter of 2018. It is not anticipated that there will be more drawings made on that facility and full retirement of that debt is expected to be made before the expiry date of the facility on 1 January 2020.

On 19 August 2019 Beam announced details of a joint venture with Roadpost Inc of Canada (further details under 'Outlook and Projects'). Under the JV Agreement Roadpost agreed to provide Beam with an interest-free loan of up to US\$600,000 to assist in Beam's funding of the JV's start-up costs. The loan is repayable by Beam at any time and at Beam's sole discretion. In the June quarter, and to date, Beam has received US\$450,000 in respect of that arrangement, but transferred US\$300,000 for start-up cash to Zoleo Inc., the entity formed to operate the JV business. Additional cash will be drawn as required by Zoleo Inc. as it seeks to launch its innovative product later in calendar 2019.

## Outlook and Projects

As mentioned above, Beam experienced issues largely outside its control that delayed the finalisation of the Thuraya WE unit's software. Unfortunately, those issues delayed the final deliveries and postponed Thuraya's market launch plans. This inevitably means follow-up orders from Thuraya are not expected to be received until the initial product deliveries have filled the pipeline and gained acceptance in the marketplace. This may not happen until FY2021.

On 19 February 2019, Beam announced the securing of a sixth order from Iridium for Iridium GO!® units, again to be delivered over two shipments, with the first 2500 units expected to be delivered this month, August 2019, and the balance in Q3 of FY2021. The total units ordered of this remarkable product is now 40,000, signaling a significantly longer product lifecycle than other communication devices, due to its rugged design and the on-going creation of custom applications (Apps) to source information such as weather, mail and maritime charting. Beam is anticipating further orders from Iridium as the market's confidence in its new network continues to be reflected in increased consumer appetite for its products.

Demand for Beam's base products contributed significantly to the Group's positive net profit position in FY2019. This robust and sustained revenue experience indicates growth in our organic business rather than the usually anticipated drop off in demand so often seen in mature communications devices and accessories.

The expectation for SatPhone Shop is that the revenue growth experienced in FY2019 will continue into FY2020 and beyond, thereby providing an increasing contribution to the Group's performance. As SatPhone Shop's market-reach and penetration improves, it is increasingly used as an ordering

portal for larger organisations, resulting in bigger volume sales. Rental revenue, although relatively small at present, is expected to grow steadily in FY2020.

Beam was selected as a beta partner by Iridium to develop a new generation of products that utilises the upgraded Certus 9770 transceiver. Beam will also enhance its existing offerings following the US\$3bn upgrade of the Iridium satellite network, known as Iridium NEXT. The new constellation will facilitate enhanced speeds and IP capabilities not previously available on the Iridium network. Some of our new product developments to service these new market opportunities have been brought forward and will commence early in FY2020, with release of the products before mid FY2021.

Opportunities with new LTE devices for industrial IoT applications outside the purely satellite communications space have been investigated over the last 12 months. A range of products is being soft-launched this month, with a number of others currently being trialed and tested for Australian and global markets. Starting with modest monthly revenues, incremental to the existing business, the Group believes the major sales potential can be fully achieved before the end of FY2020.

Details of the Zoleo joint venture were released on 19 August 2019. Roadpost Inc has joined with Beam to develop, manufacture and market a mobile satellite messaging and SOS device that is aimed at untapped but large and fast-growing global markets. The new terminal, trademarked 'ZOLEO', will utilise the upgraded Iridium satellite network. Roadpost has a 28-year track record in selling cellular and satellite solutions to the North American markets. The new solution is anticipated to grow Beam's recurring income stream significantly from FY2021. The new product and service offering is in the final stages of development and more details will be announced to the market prior to launch.

Also announced earlier this year was Beam's initial entry into the Indian satellite market. First orders reached US\$250,000 by 30 June 2019, and further sales are expected as the Inmarsat service offers increased market applications and awareness in India.

The Board remains determined to continue investments in innovative technologies, and although some of these new projects will require significant cash development funds, other products are likely to require much less engineering time. The recent and now sustained revenue trends in our organic business and the new opportunities augur well for FY2020 and beyond.

## Directors and Investors

No new securities have been issued since September 2017 and the Board of Directors has remained the same since November 2017.

Mr Simon Wallace was re-elected as a Director by shareholders at the Annual General Meeting of 26 October 2018. With lengthy and detailed expertise in legal and commercial matters, Simon continues as Chairman of the Board and is also a shareholder in the Company.

Mr David Stewart joined our board in November 2017, with his appointment confirmed at the following AGM. David has been a keen advisor to senior management in the rationalisation of development expenditure and provides hands-on assistance in the selection of trading partners for innovative new product opportunities. David remains Beam's major shareholder, holding 19.93% of the shares in the Company, while he assists the Group to expand in the satellite and non-satellite space.

Beam Director Mr Carl Hung is also the President and CEO of Season Group, a major trading partner of Beam for over nine years. Season provides Beam with a range of sub-contract services including manufacturing, engineering, tool making and

testing facilities in Guangdong, China. Carl is Managing Director of SGV1 Holdings Limited, a company associated with Season, which holds 10.23% of the shares in the Company.

Mr Michael Capocchi is an Executive Director and holds the positions of Managing Director and Chief Executive Officer for all companies in the Group, including the USA subsidiary. His base in the USA enables him to more easily visit the Middle East and UK/Europe, where so many of the Group's core clients are based, as well as domestically within the US. Michael travels to Australia every 4-6 weeks and is in daily contact with management. Michael is also a significant shareholder in the Company.

The Directors are confident that the return to a significant profit situation in FY2019 is an indicator of the Group's successful efforts to improve core and new product offerings and sales strategies, as well as expanding the business's scale and investment capacity via incremental yet sustainable revenue and profit expansion

#### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Other than those noted above there were no significant changes in the state of affairs of the Consolidated Group during the financial year.

#### **EVENTS AFTER REPORTING DATE**

On 30 July 2019 the Company released to the ASX a statement that an entity controlled by non-executive Director Carl Hung had sold 3.8 million Beam shares, or 42% of its holding in Beam, to raise cash for its Chinese businesses. On 19 August 2019 the Company announced the formation of a joint venture with Roadpost Inc., a Canadian company, to develop and market a new satellite messaging and SOS device.

Other than the above, there have been no significant events since 30 June 2019.

#### **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 Consolidated Group'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 and related businesses.

#### **SHARES ISSUED ON THE EXERCISE OF OPTIONS**

No ordinary shares of the Company were issued during the year ended 30 June 2019 on the exercise of options.

#### **DIRECTORS' INTERESTS**

The relevant interests of the Directors in the securities of the Company are detailed in the Remuneration Report as part of the Directors' Report.

#### **SHARES UNDER OPTION**

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

| Issue Date | Date of Expiry | Exercise Price | Number Under Option |
|------------|----------------|----------------|---------------------|
| 31.03.15   | 31.03.20       | \$0.1950       | 789,525             |
| 24.12.15   | 31.08.20       | \$0.1950       | 789,525             |
| 24.12.15   | 30.11.20       | \$0.1950       | 907,500             |
|            |                |                | 2,486,550           |

#### **DIRECTORS' MEETINGS**

During the year ended 30 June 2019 the Company held 16 meetings of Directors (including Audit Committee meetings). Attendances by each Director during the year were:

| Director   | Directors meetings |                           | Committees |                           |
|------------|--------------------|---------------------------|------------|---------------------------|
|            | Attended           | Maximum Possible Attended | Attended   | Maximum Possible Attended |
| M Capocchi | 12                 | 12                        | 0          | 0                         |
| D Stewart  | 12                 | 12                        | 0          | 0                         |
| C Hung     | 12                 | 12                        | 4          | 4                         |
| S Wallace  | 12                 | 12                        | 4          | 4                         |

Each Director attended every scheduled meeting of the Board and of each Committee of which he is a member.

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (Audited)

This report details the nature and amount of remuneration for each director of Beam Communications Holdings 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 which 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;
- Legal and industrial obligations;
- Labour market conditions; and
- The 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.

For FY2019 the Managing Director had a performance bonus potential of 15% of the Group operating profit before interest, tax, depreciation and amortisation (EBITDA) above \$1,000,000

for the financial year, plus \$15,000 and a 1% increase in fixed salary for FY2020, payable upon the achievement of each of 5 KPIs set by the Board at the beginning of the financial year. The Group achieved an EBITDA of \$2,103,706 and therefore the potential performance bonus became payable. In addition the Managing Director achieved 3 of the KPIs.

Two senior sales executives have contractual performance based bonus entitlements having achieved above their minimum sales related target levels in FY2019. No other key management executive has a contractual performance bonus entitlement.

In assessing the relative performance of the senior executives and the Group as a whole measured against the primary objective of enhancing shareholder value over time, the Board has regard to key financial indicators. In accordance with Section 300A of the Corporations Act 2001 the following table summarises the Group's performance over the last 5 years.

|  | 2019  | 2018    | 2017   | 2016  | 2015  |
|--|-------|---------|--------|-------|-------|
| Net profit/(loss) before tax (\$'000)  | 722   | (1,432) | (423)  | 417   | 645   |
| EBITDA (\$'000)                        | 2,104 | (607)   | 129    | 1,363 | 2,571 |
| Basic earnings per share (cents)       | 0.64  | (3.07)  | (1.29) | 1.12  | 5.13  |
| Share price at 30 June (\$)            | 0.27  | 0.16    | 0.13   | 0.23  | 0.31  |
| Market Capitalisation at 30 June (\$m) | 14.28 | 8.46    | 5.61   | 9.93  | 13.38 |
| Dividends per share                    | Nil   | Nil     | Nil    | Nil   | Nil   |

The Board believes the above table illustrates the positive, albeit not linear, direction the Group has taken over the past 5 years and is reflective of the performance of senior executives during that period. Due to the nature of the Group's business there are often major influences on a particular financial year's profit result that are largely beyond the direct control of senior executives, or indeed the Board. By way of example, this was the case in FY2018 when the delayed completion of the Thuraya WE project severely impacted the Group's overall financial results for that period.

#### Long-term Incentives

The Company's Share Options Incentive Plan, in which executive directors and senior executives may participate, was approved by shareholders on 27 October 2017 and authorises the Directors to issue up to 10% of the shares on issue at a given time.

The Company ensures that the payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

No options were issued to key management personnel or Directors during FY2018 or FY2019 while the Company evaluates the effectiveness of share options as incentives.

## **DIRECTORS' REPORT (continued)**

### **REMUNERATION REPORT (continued)**

#### *Other Benefits*

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

#### **Employment Contracts**

##### *Employment Contracts of Senior Executives*

An employment contract for the Managing Director was executed by the Company and Michael Capocchi on 30 June 2018 under which he will continue as Managing Director and CEO of the Company and all subsidiaries until at least 30 June 2020 (the minimum term) with extension beyond that date possible by mutual agreement. The terms of Mr Capocchi's contract were negotiated such that, compared to his employment terms that applied prior to that date, his fixed base salary was reduced and a greater portion of his remuneration was at risk. The contract can be terminated by either the Company or Mr Capocchi, with a minimum of 9 months' notice, subject to completion of the minimum term. All other key management personnel are permanent employees.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

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

#### Directors

|               |                             |
|---------------|-----------------------------|
| Mr S Wallace  | Non-Executive Chairman      |
| Mr M Capocchi | Executive Managing Director |
| Mr C Hung     | Non-Executive Director      |
| Mr D Stewart  | Non-Executive Director      |

#### Other key management personnel

|               |   |
|---------------|---|
| Mr D Payne    | Chief Financial Officer and Company Secretary |
| Mr W Christie | Chief Technical Officer                       |

#### (b) Details of remuneration for the year

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

|                   | Short-term employee benefits |                          |                                  |                               | Post-employment benefits | Other long-term benefits  | Termination benefits          | Share-based payments |                  |                     |                                    |
|-------------------|------------------------------|--------------------------|----------------------------------|-------------------------------|--------------------------|---------------------------|-------------------------------|----------------------|------------------|---------------------|------------------------------------|
|                   | Cash salary & fees           | Cash bonus & Commissions | Motor vehicle & other allowances | Employee benefits payable [b] | Super-annuation          | Employee benefits payable | Eligible termination benefits | Options [a]          | Total            | Performance related | Remuneration consisting of options |
|                   | \$                           | \$                       | \$                               | \$                            | \$                       | \$                        | \$                            | \$                   | \$               | %                   | %                                  |
| <b>2019</b>       |                              |                          |                                  |                               |                          |                           |                               |                      |                  |                     |                                    |
| <b>Directors</b>  |                              |                          |                                  |                               |                          |                           |                               |                      |                  |                     |                                    |
| Mr S Wallace      | 41,666                       | -                        | -                                | -                             | -                        | -                         | -                             | -                    | 41,666           | 0.00%               | 0.00%                              |
| Mr M Capocchi [c] | 418,688                      | 215,806                  | 27,335                           | 23,725                        | 41,723                   | 8,297                     | -                             | -                    | 735,574          | 29.34%              | 0.00%                              |
| Mr C Hung         | 41,666                       | -                        | -                                | -                             | -                        | -                         | -                             | -                    | 41,666           | 0.00%               | 0.00%                              |
| Mr D Stewart      | 41,666                       | -                        | -                                | -                             | -                        | -                         | -                             | -                    | 41,666           | 0.00%               | 0.00%                              |
| <b>Other</b>      |                              |                          |                                  |                               |                          |                           |                               |                      |                  |                     |                                    |
| Mr D Payne        | 189,547                      | -                        | -                                | (1,142)                       | 18,007                   | (8,379)                   | -                             | -                    | 198,033          | 0.00%               | 0.00%                              |
| Mr W Christie     | 172,549                      | -                        | -                                | (8,165)                       | 16,392                   | 4,306                     | -                             | -                    | 185,082          | 0.00%               | 0.00%                              |
| <b>Total</b>      | <b>905,782</b>               | <b>215,806</b>           | <b>27,335</b>                    | <b>14,418</b>                 | <b>76,122</b>            | <b>4,224</b>              | <b>-</b>                      | <b>-</b>             | <b>1,243,687</b> |                     |                                    |
| <b>2018</b>       |                              |                          |                                  |                               |                          |                           |                               |                      |                  |                     |                                    |
| <b>Directors</b>  |                              |                          |                                  |                               |                          |                           |                               |                      |                  |                     |                                    |
| Mr S Wallace      | 44,216                       | -                        | -                                | -                             | -                        | -                         | -                             | -                    | 44,216           | 0.00%               | 0.00%                              |
| Mr M Capocchi [c] | 477,107                      | -                        | 47,031                           | 24,599                        | 45,303                   | 9,138                     | -                             | -                    | 603,178          | 0.00%               | 0.00%                              |
| Mr C Hung         | 44,216                       | -                        | -                                | -                             | -                        | -                         | -                             | -                    | 44,216           | 0.00%               | 0.00%                              |
| Mr D Stewart      | 27,777                       | -                        | -                                | -                             | -                        | -                         | -                             | -                    | 27,777           | 0.00%               | 0.00%                              |
| <b>Other</b>      |                              |                          |                                  |                               |                          |                           |                               |                      |                  |                     |                                    |
| Mr D Payne        | 188,147                      | -                        | -                                | (812)                         | 17,874                   | (5,519)                   | -                             | -                    | 199,690          | 0.00%               | 0.00%                              |
| Mr W Christie     | 171,275                      | -                        | -                                | (2,641)                       | 16,271                   | 3,299                     | -                             | -                    | 188,204          | 0.00%               | 0.00%                              |
| <b>Total</b>      | <b>952,738</b>               | <b>-</b>                 | <b>47,031</b>                    | <b>21,146</b>                 | <b>79,448</b>            | <b>6,918</b>              | <b>-</b>                      | <b>-</b>             | <b>1,107,281</b> |                     |                                    |

[a] Option based compensation relates to the value of options issued to date and brought to account pro-rata to the time period from the date of granting to the date of vesting, except where Accounting Standard AASB 2 required expensing to begin from the commencement of service related to those options, notwithstanding that the issue of those options, in the case of Directors was subject to shareholder approval, and in the case of key management employees, subject to performance review.

[b] Employee benefits payable represents net increase in benefits payable charged to the consolidated statement of profit or loss and other comprehensive income in the current year.

[c] The majority of Mr Capocchi's remuneration is in US dollars. For 2019 his remuneration has been converted into AU dollars at the exchange rate on 30 June 2019 of 0.7013.



## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

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

| 2019             | Grant date | Granted number | Value per option at grant date<br>\$ | Value of options granted during the year<br>\$ | Value of options exercised during year<br>\$ | Value of options lapsed during year<br>\$ | Total<br>\$ |
|------------------|------------|----------------|--------------------------------------|--|--|---|-------------|
| <b>Directors</b> |            |                |                                      |  |  |   |             |
| Mr S Wallace     | -          | -              | -                                    | -  | -  | -   | -           |
| Mr M Capocchi    | -          | -              | -                                    | -  | -  | -   | -           |
| Mr C Hung        | -          | -              | -                                    | -  | -  | -   | -           |
| Mr D Stewart     | -          | -              | -                                    | -  | -  | -   | -           |
| <b>Other</b>     |            |                |                                      |  |  |   |             |
| Mr D Payne       | -          | -              | -                                    | -  | -  | -   | -           |
| Mr W Christie    | -          | -              | -                                    | -  | -  | -   | -           |
| <b>2018</b>      |            |                |                                      |  |  |   |             |
|                  | Grant date | Granted number | Value per option at grant date<br>\$ | Value of options granted during the year<br>\$ | Value of options exercised during year<br>\$ | Value of options lapsed during year<br>\$ | Total<br>\$ |
| <b>Directors</b> |            |                |                                      |  |  |   |             |
| Mr S Wallace     | -          | -              | -                                    | -  | -  | -   | -           |
| Mr M Capocchi    | -          | -              | -                                    | -  | -  | (81,900)                                  | (81,900)    |
| Mr C Hung        | -          | -              | -                                    | -  | -  | -   | -           |
| Mr D Stewart     | -          | -              | -                                    | -  | -  | -   | -           |
| <b>Other</b>     |            |                |                                      |  |  |   |             |
| Mr D Payne       | -          | -              | -                                    | -  | -  | -   | -           |
| Mr W Christie    | -          | -              | -                                    | -  | -  | -   | -           |

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

#### (c) (ii) Options granted and/or vested during the year

| Terms & conditions for each grant |            |             |            |                                   |                   |             |                     |                    |
|-----------------------------------|------------|-------------|------------|-----------------------------------|-------------------|-------------|---------------------|--------------------|
| 2019                              | Vested No. | Granted No. | Grant date | Value per option at grant date \$ | Exercise price \$ | Expiry date | First exercise date | Last exercise date |
| <b>Directors</b>                  |            |             |            |                                   |                   |             |                     |                    |
| Mr S Wallace                      | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr M Capocchi                     | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr C Hung                         | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr D Stewart                      | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| <b>Other</b>                      |            |             |            |                                   |                   |             |                     |                    |
| Mr D Payne                        | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr W Christie                     | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Total                             | -          | -           |            |                                   |                   |             |                     |                    |

| Terms & conditions for each grant |            |             |            |                                   |                   |             |                     |                    |
|-----------------------------------|------------|-------------|------------|-----------------------------------|-------------------|-------------|---------------------|--------------------|
| 2018                              | Vested No. | Granted No. | Grant date | Value per option at grant date \$ | Exercise price \$ | Expiry date | First exercise date | Last exercise date |
| <b>Directors</b>                  |            |             |            |                                   |                   |             |                     |                    |
| Mr S Wallace                      | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr M Capocchi                     | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr C Hung                         | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr D Stewart                      | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| <b>Other</b>                      |            |             |            |                                   |                   |             |                     |                    |
| Mr D Payne                        | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Mr W Christie                     | -          | -           | -          | -                                 | -                 | -           | -                   | -                  |
| Total                             | -          | -           |            |                                   |                   |             |                     |                    |

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

#### (d) 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.

| 2019             | Balance<br>1.07.18 | Granted<br>as Rem-<br>uneration | Issued as<br>Equity<br>Investment | Options<br>Exercised | Options<br>Lapsed | Balance<br>30.06.19 | Total<br>Vested<br>30.06.19 | Exer-<br>cisable<br>30.06.19 | Unexer-<br>cisable<br>30.06.19 |
|------------------|--------------------|---------------------------------|-----------------------------------|----------------------|-------------------|---------------------|-----------------------------|------------------------------|--------------------------------|
| <b>Directors</b> |                    |                                 |                                   |                      |                   |                     |                             |                              |                                |
| Mr S Wallace     | -                  | -                               | -                                 | -                    | -                 | -                   | -                           | -                            | -                              |
| Mr M Capocchi    | 907,500            | -                               | -                                 | -                    | -                 | 907,500             | 907,500                     | 907,500                      | -                              |
| Mr C Hung        | -                  | -                               | -                                 | -                    | -                 | -                   | -                           | -                            | -                              |
| Mr D Stewart     | -                  | -                               | -                                 | -                    | -                 | -                   | -                           | -                            | -                              |
| <b>Other</b>     |                    |                                 |                                   |                      |                   |                     |                             |                              |                                |
| D Payne          | 381,150            | -                               | -                                 | -                    | -                 | 381,150             | 381,150                     | 381,150                      | -                              |
| W Christie       | 544,500            | -                               | -                                 | -                    | -                 | 544,500             | 544,500                     | 544,500                      | -                              |
| <b>Total</b>     | <b>1,833,150</b>   | <b>-</b>                        | <b>-</b>                          | <b>-</b>             | <b>-</b>          | <b>1,833,150</b>    | <b>1,833,150</b>            | <b>1,833,150</b>             | <b>-</b>                       |
| <b>2018</b>      |                    |                                 |                                   |                      |                   |                     |                             |                              |                                |
|                  | Balance<br>1.07.17 | Granted<br>as Rem-<br>uneration | Issued as<br>Equity<br>Investment | Options<br>Exercised | Options<br>Lapsed | Balance<br>30.06.18 | Total<br>Vested<br>30.06.18 | Exer-<br>cisable<br>30.06.18 | Unexer-<br>cisable<br>30.06.18 |
| <b>Directors</b> |                    |                                 |                                   |                      |                   |                     |                             |                              |                                |
| Mr S Wallace     | -                  | -                               | -                                 | -                    | -                 | -                   | -                           | -                            | -                              |
| Mr M Capocchi    | 1,507,500          | -                               | -                                 | -                    | (600,000)         | 907,500             | 907,500                     | 907,500                      | -                              |
| Mr C Hung        | -                  | -                               | -                                 | -                    | -                 | -                   | -                           | -                            | -                              |
| Mr D Stewart     | -                  | -                               | -                                 | -                    | -                 | -                   | -                           | -                            | -                              |
| <b>Other</b>     |                    |                                 |                                   |                      |                   |                     |                             |                              |                                |
| Mr D Payne       | 381,150            | -                               | -                                 | -                    | -                 | 381,150             | 381,150                     | 381,150                      | -                              |
| Mr W Christie    | 544,500            | -                               | -                                 | -                    | -                 | 544,500             | 544,500                     | 544,500                      | -                              |
| <b>Total</b>     | <b>2,433,150</b>   | <b>-</b>                        | <b>-</b>                          | <b>-</b>             | <b>(600,000)</b>  | <b>1,833,150</b>    | <b>1,833,150</b>            | <b>1,833,150</b>             | <b>-</b>                       |

## DIRECTORS' REPORT (continued)

### REMUNERATION REPORT (continued)

#### (e) 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.

| <b>2019</b>      | Balance<br>1.07.18 | Received as<br>Remuneration | Options<br>Exercised | Placement<br>Issue [b] | Net Change<br>Other [a] | Balance<br>30.06.19 |
|------------------|--------------------|-----------------------------|----------------------|------------------------|-------------------------|---------------------|
| <b>Directors</b> |                    |                             |                      |                        |                         |                     |
| Mr S Wallace     | 178,600            | -                           | -                    | -                      | -                       | 178,600             |
| Mr M Capocchi    | 1,603,899          | -                           | -                    | -                      | -                       | 1,603,899           |
| Mr C Hung        | 9,243,207          | -                           | -                    | -                      | -                       | 9,243,207           |
| Mr D Stewart     | 10,540,000         | -                           | -                    | -                      | -                       | 10,540,000          |
| <b>Other</b>     |                    |                             |                      |                        |                         |                     |
| Mr D Payne       | 328,570            | -                           | -                    | -                      | -                       | 328,570             |
| Mr W Christie    | 62,778             | -                           | -                    | -                      | -                       | 62,778              |
|                  | <b>21,957,054</b>  | <b>-</b>                    | <b>-</b>             | <b>-</b>               | <b>-</b>                | <b>21,957,054</b>   |

  

| <b>2018</b>      | Balance<br>1.07.17 | Received as<br>Remuneration | Options<br>Exercised | Placement<br>Issue [b] | Net Change<br>Other [a] | Balance<br>30.06.18 |
|------------------|--------------------|-----------------------------|----------------------|------------------------|-------------------------|---------------------|
| <b>Directors</b> |                    |                             |                      |                        |                         |                     |
| Mr S Wallace     | 178,600            | -                           | -                    | -                      | -                       | 178,600             |
| Mr M Capocchi    | 1,603,899          | -                           | -                    | -                      | -                       | 1,603,899           |
| Mr C Hung        | 9,243,207          | -                           | -                    | -                      | -                       | 9,243,207           |
| Mr D Stewart     | -                  | -                           | -                    | 9,700,000              | 840,000                 | 10,540,000          |
| <b>Other</b>     |                    |                             |                      |                        |                         |                     |
| Mr D Payne       | 328,570            | -                           | -                    | -                      | -                       | 328,570             |
| Mr W Christie    | 62,778             | -                           | -                    | -                      | -                       | 62,778              |
|                  | <b>11,417,054</b>  | <b>-</b>                    | <b>-</b>             | <b>9,700,000</b>       | <b>840,000</b>          | <b>21,957,054</b>   |

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

[b] Placement Issue refers to the placement of ordinary shares to Glenayr Pty Ltd, a company owned by Mr Stewart, on 12 September 2017

## **DIRECTORS' REPORT (continued)**

### **REMUNERATION REPORT (continued)**

#### **(f) Shares issued on exercise of remuneration options**

No options were exercised by key management personnel during the financial year ended 30 June 2019 or the comparative year ended 30 June 2018.

#### **(g) Voting and comments made at the Company's 2018 Annual General Meeting (AGM)**

At the Company's most recent AGM, a resolution to adopt the prior year remuneration report was put to the vote and at least 75% of 'yes' votes were cast for adoption of that report. No comments were made on the remuneration report at the AGM.

## **AUDITOR**

RSM Australia Partners was appointed Company auditor on 28 November 2013 and will continue in office in accordance with section 327 of the Corporations Act 2001. Pursuant to section 324 DAB of the Corporations Act 2001, the Board of 4 April 2018, following a recommendation from the Audit Committee, approved that Jason Croall, a partner of RSM Australia Partners may continue to play a significant role in the audit of the company for a further 2 years until the financial year ended 30 June 2020.

Reasons for the extension include continuity of knowledge and experience that Jason has accumulated over the years, as well as, key relationships formed during this period' is considered a material benefit to maintaining the quality of audit work for a further period covering the two financial years ending 30 June 2019 and 2020.

The Board is satisfied that the extension of the auditor rotation period is consistent with maintaining the quality of the audit and would not give rise to conflict of interest situation. RSM Australia Partners has agreed to extend the above extension.

## **NON AUDIT SERVICES**

No non audit services were undertaken by the external auditors during the year ended 30 June 2019.

## **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 29 August 2019.



Mr Simon Wallace  
Chairman  
Date: 29 August 2019

**RSM Australia Partners**

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PO Box 248 Collins Street West VIC 8007

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[www.rsm.com.au](http://www.rsm.com.au)

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Beam Communications Holdings Limited for the year ended 30 June 2019, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to be 'RSM'.**RSM AUSTRALIA PARTNERS**A handwritten signature in blue ink, appearing to be 'J S Croall'.**J S CROALL**

Partner

Dated: 29 August 2019  
Melbourne, Victoria

**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
**(Formerly World Reach Limited)**  
**ABN 39 010 568 804**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|   | Note  | Year ended     |                    |
|---|-------|----------------|--------------------|
|   |       | 30 June 2019   | 30 June 2018       |
|   |       | \$             | \$                 |
| Revenue   | 2(a)  | 18,520,528     | 11,638,170         |
| Changes in inventories  |       | (1,421,131)    | 1,533,096          |
| Raw materials, consumables and other costs of sale  | 2(b)  | (9,307,401)    | (8,491,173)        |
| Employee benefits expense   |       | (3,329,910)    | (2,804,827)        |
| Depreciation expense  | 8(a)  | (63,233)       | (76,599)           |
| Amortisation expense  | 10(a) | (1,178,889)    | (694,447)          |
| Impairment expense  | 10(a) | (33,910)       | (793,922)          |
| Finance costs expense   | 2(c)  | (139,587)      | (54,300)           |
| Auditor remuneration expense  | 20    | (68,000)       | (68,000)           |
| Accounting, share registry and secretarial expense  |       | (88,194)       | (74,055)           |
| Consultancy and contractor expense  |       | (298,981)      | (227,279)          |
| Legal, insurance and patent expense   |       | (175,364)      | (172,609)          |
| Marketing and ICT expense   |       | (362,563)      | (265,315)          |
| Share of loss from interest in Joint Venture  | 7     | (327,692)      | -                  |
| Other expenses  | 2(d)  | (1,003,677)    | (880,670)          |
| <b>Profit (loss) before income tax</b>  |       | <b>721,997</b> | <b>(1,431,929)</b> |
| Tax expense   | 3(a)  | (382,867)      | (133,205)          |
| <b>Profit (loss) for the year</b>   |       | <b>339,129</b> | <b>(1,565,134)</b> |
| Other comprehensive income  |       | -              | -                  |
| <b>Total comprehensive income (loss) for the year</b>   |       | <b>339,129</b> | <b>(1,565,134)</b> |
| Net Profit (loss) and total comprehensive loss are both fully attributable to owners of the Company |       |                |                    |
| Earnings per share (cents)  | 22    | 0.64           | (3.07)             |
| Diluted earnings per share (cents)  | 22    | 0.64           | (3.07)             |

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

**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
**(Formerly World Reach Limited)**  
**ABN 39 010 568 804**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|                                      |      | 30 June 2019      | 30 June 2018      |
|--------------------------------------|------|-------------------|-------------------|
|                                      | Note | \$                | \$                |
| <b>Current assets</b>                |      |                   |                   |
| Cash and cash equivalents            | 4    | 2,532,285         | 528,925           |
| Inventories                          | 5    | 2,737,022         | 4,158,153         |
| Trade and other receivables          | 6    | 2,189,620         | 1,747,412         |
| <b>Total current assets</b>          |      | <b>7,458,927</b>  | <b>6,434,490</b>  |
| <b>Non-current assets</b>            |      |                   |                   |
| Interest in joint venture            | 7    | 100,227           | -                 |
| Plant and equipment                  | 8    | 102,957           | 122,998           |
| Deferred tax assets                  | 9    | 863,745           | 1,228,857         |
| Intangible assets                    | 10   | 5,580,260         | 4,835,509         |
| <b>Total non-current assets</b>      |      | <b>6,647,190</b>  | <b>6,187,364</b>  |
| <b>Total assets</b>                  |      | <b>14,106,117</b> | <b>12,621,854</b> |
| <b>Current liabilities</b>           |      |                   |                   |
| Trade and other payables             | 11   | 3,502,547         | 4,447,866         |
| Other financial liabilities          | 12   | 950,615           | -                 |
| Provisions                           | 13   | 1,190,085         | 704,706           |
| <b>Total current liabilities</b>     |      | <b>5,643,247</b>  | <b>5,152,572</b>  |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Other financial liabilities          | 12   | 641,665           | -                 |
| Provisions                           | 13   | 32,713            | 19,919            |
| <b>Total non-current liabilities</b> |      | <b>674,378</b>    | <b>19,919</b>     |
| <b>Total liabilities</b>             |      | <b>6,317,625</b>  | <b>5,172,491</b>  |
| <b>Net assets</b>                    |      | <b>7,788,492</b>  | <b>7,449,363</b>  |
| <b>Equity</b>                        |      |                   |                   |
| Issued capital                       | 14   | 7,646,641         | 7,646,641         |
| Reserves                             |      | 411,189           | 411,189           |
| Accumulated losses                   |      | (269,338)         | (608,467)         |
| <b>Total equity</b>                  |      | <b>7,788,492</b>  | <b>7,449,363</b>  |

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



**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
**(Formerly World Reach Limited)**  
**ABN 39 010 568 804**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|  | Issued<br>capital<br>\$ | Reserves<br>\$ | Retained<br>earnings<br>\$ | Total<br>equity<br>\$ |
|--|-------------------------|----------------|----------------------------|-----------------------|
| Balance at 1 July 2017                                   | 5,784,925               | 493,089        | 874,767                    | 7,152,781             |
| Total loss and other comprehensive income for the year   | -                       | -              | (1,565,134)                | (1,565,134)           |
| Transactions with owners in their capacity as owners:    |                         |                |                            |                       |
| - Shares issued, net of transaction costs                | 1,861,716               | -              | -                          | 1,861,716             |
| - Adjustment for employee share options lapsed           | -                       | (81,900)       | 81,900                     | -                     |
| <b>Balance at 30 June 2018</b>                           | <b>7,646,641</b>        | <b>411,189</b> | <b>(608,467)</b>           | <b>7,449,363</b>      |
| Balance at 1 July 2018                                   | 7,646,641               | 411,189        | (608,467)                  | 7,449,363             |
| Total profit and other comprehensive income for the year | -                       | -              | 339,129                    | 339,129               |
| <b>Balance at 30 June 2019</b>                           | <b>7,646,641</b>        | <b>411,189</b> | <b>(269,338)</b>           | <b>7,788,492</b>      |

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

**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
**(Formerly World Reach Limited)**  
**ABN 39 010 568 804**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|   | Note  | Year ended         |                    |
|---|-------|--------------------|--------------------|
|   |       | 30 June 2019       | 30 June 2018       |
|   |       | \$                 | \$                 |
| <b>Cash flow from operating activities</b>                  |       |                    |                    |
| Receipts from customers                                     |       | 17,919,076         | 12,116,540         |
| Payments to suppliers and employees                         |       | (15,705,440)       | (13,685,446)       |
| Interest received   |       | 3,192              | 13,608             |
| Interest and finance charges paid                           |       | (139,587)          | (54,300)           |
| Income tax paid   |       | (17,755)           | (12,273)           |
| <b>Net cash (used in)/ provided by operating activities</b> | 17(a) | <u>2,059,485</u>   | <u>(1,621,871)</u> |
| <b>Cash flow from investing activities</b>                  |       |                    |                    |
| Purchases of plant & equipment                              | 8(a)  | (44,341)           | (50,418)           |
| Development costs capitalised                               |       | (1,957,551)        | (1,985,468)        |
| Research and development grant                              |       | 831,603            | 1,729,233          |
| Interest in joint venture                                   |       | (436,443)          | -                  |
| <b>Net cash used in investing activities</b>                |       | <u>(1,606,732)</u> | <u>(306,653)</u>   |
| <b>Cash flow from financing activities</b>                  |       |                    |                    |
| Net cash proceeds on share placement / rights issue         |       | -                  | 1,861,715          |
| Net loan payments   |       | 1,550,607          | -                  |
| <b>Net cash used in financing activities</b>                |       | <u>1,550,607</u>   | <u>1,861,715</u>   |
| <b>Net decrease in cash and cash equivalents</b>            |       | 2,003,360          | (66,809)           |
| Cash and cash equivalents at beginning of year              |       | 528,925            | 595,734            |
| <b>Cash and cash equivalents at end of financial year</b>   | 17(b) | <u>2,532,285</u>   | <u>528,925</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 2019**

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**1. Summary of significant accounting policies**

**(i) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

*Reporting Basis and Conventions*

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

*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 AASB 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.

**(ii) New or amended Accounting Standards and Interpretations adopted**

*Impact of adoption:*

AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers were adopted using the modified retrospective approach and as such comparatives have not been restated. There has been no material impact as a result of the adoption of these new Accounting Standards as compared to the treatment under previous Accounting Standards. Therefore no adjustments were deemed necessary in the current reporting period. The revenue policy and trade and other receivables policy applied by the consolidated entity in accordance with the new standard are stated below.

**(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 financial statements incorporate all of the assets, liabilities and results of the parent (Beam Communications Holdings Limited) and all of the subsidiaries which are entities the parent controls. A list of the subsidiaries is provided in Note 25.

**(b) Income tax**

Income tax expense (benefit) for the year comprises current income tax expense and deferred income tax expense (benefit).

A net deferred tax expense has been recognised in the current year reflecting the movements in deferred tax assets and liabilities for the period.

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 profit or loss and other 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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1. Summary of significant accounting policies (continued)

(ii) Accounting policies (continued)

(b) Income tax (continued)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Beam Communications Holdings 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 profit or loss and other 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: |           |
| Office furniture and equipment                                     | 10% - 20% |
| 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 profit or loss and other comprehensive income.

(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) Intangible assets – development costs

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 not related to the creation of a new product is recognised as an expense when incurred.

The amortisation rate for capitalised development costs is dependent on an assessment of the minimum useful life of each project. Recent projects/products have been assessed at 4 years giving a 25% amortisation rate during 2019.

(f) Employee benefits

*Short-term employee benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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**1. Summary of significant accounting policies (continued)**

**(ii) Accounting policies (continued)**

**(f) Employee benefits (continued)**

*Other long-term employee benefits*

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

Option based compensation relates to the value of options issued to date and brought to account pro-rata to the time period from the date of issue to the date of vesting, except in the case of Director's where Accounting Standard AASB 2 requires expensing to begin from the commencement of service related to those options, notwithstanding that the issue of those options is subject to shareholder approval.

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

**(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 profit or loss and other 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 profit or loss and other comprehensive income. Refer Note 15 for a detailed review of the group's financial instruments.

The Group does not designate any interests in subsidiaries as being subject to the requirements of Financial Instruments accounting standards.

**(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 profit or loss and other 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.

The group uses an Expected Credit Loss model in assessing impairment of trade and other receivables or loans and other instruments that fall within the scope AASB 9 impairment requirements. The model includes a simplified approach in accounting for trade and other receivables as well as contract assets, and records the loss allowance at the amount equal to the expected lifetime credit losses. Under this simplified approach, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

**(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. Where applicable, bank overdrafts are disclosed within other financial liabilities in current liabilities on the statement of financial position.

**(j) Revenue recognition**

Revenue from the sale of goods or services is brought to account upon fulfilment of the relevant performance obligations of the contract with the customer. Performance obligations are fulfilled upon delivery of the goods or services to the customer at which point the transaction price is brought to account as revenue. The transaction price is the amount of consideration to which the group expects to be entitled in exchange for transferring promised goods or services to a customer.

Interest revenue and rental income are recognised when they become 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 2019**

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**1. Summary of significant accounting policies (continued)**

**(ii) Accounting policies (continued)**

**(k) Government Grants**

Government grants in the form of refundable Research and Development Tax Offsets received in respect of capitalised Development Costs are initially recognised as deferred income upon receipt, and brought to account as income on a systematic basis over the useful life of the related Development Cost assets.

Export market development grants are brought to account in the statement of profit or loss and other comprehensive income in the period received.

There are no unfulfilled conditions or other contingencies attaching to government grants recognised in the financial statements.

**(l) Interest in joint venture**

A joint venture represents the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required.

Where the Group is a party to a joint venture, the Group recognises its interests in the joint venture using the equity method whereby the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

**(m) 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 profit or loss and other comprehensive income.

**(n) 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.

**(o) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

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**1. Summary of significant accounting policies (continued)**

**(ii) Accounting policies (continued)**

**(p) 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).

**(q) New accounting standards for application in future periods**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations. AASB 16 introduces a single lease accounting model that eliminates the requirement for leases to be classified as operating or finance leases and recognises a right to use asset, depreciation and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets), with additional disclosure requirements.

The transitional provisions of AASB 16 permit a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The directors' preliminary review of AASB 16 shows that its adoption will have an impact on the Group's financial statements with leases greater than 12 months to be recognised on the balance sheet as a lease liability and a related right to use asset. It is anticipated that the Net Present Value of the Group's lease commitments greater than 12 months will be brought to account on the balance sheet as an asset and current and non-current liability from FY2020. The net present value of the commitments currently shown in Note 16 is \$592,222.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

|  | Year ended         |                    |
|--|--------------------|--------------------|
|  | 30 June 2019       | 30 June 2018       |
|  | \$                 | \$                 |
| <b>2 Profit (loss) before income tax</b>   |                    |                    |
| (a) Revenue  |                    |                    |
| <i>Sales revenue</i>   |                    |                    |
| - Equipment sales  | 17,179,648         | 10,671,739         |
| - Airtime  | 526,060            | 428,878            |
| - Other  | 70,958             | 42,325             |
|  | <u>17,776,666</u>  | <u>11,142,943</u>  |
| <i>Other income</i>  |                    |                    |
| - Research and Development grant   | 740,671            | 481,619            |
| - Interest   | 3,192              | 13,608             |
|  | <u>743,863</u>     | <u>495,227</u>     |
|  | <u>18,520,528</u>  | <u>11,638,170</u>  |
| (b) Cost of sales  |                    |                    |
| Opening inventories  | 4,158,153          | 2,625,058          |
| Add: Purchases and other stock adjustments   | <u>9,307,401</u>   | <u>8,491,173</u>   |
|  | 13,465,554         | 11,116,231         |
| Closing inventories (Note 5)   | <u>(2,737,022)</u> | <u>(4,158,153)</u> |
|  | <u>10,728,532</u>  | <u>6,958,078</u>   |
| (c) Finance costs expense  |                    |                    |
| Interest expense on financial liabilities  | <u>139,587</u>     | <u>54,300</u>      |
| (d) Other expenses include   |                    |                    |
| - Product development costs expensed   | 311,516            | 309,148            |
| - Operating lease payments   | <u>232,125</u>     | <u>227,581</u>     |
| <b>3 Income tax</b>  |                    |                    |
| (a) The components of tax expense comprise:  |                    |                    |
| Current tax  |                    |                    |
| - Current tax expense (d)  | 17,755             | 12,273             |
| - Current movement of temporary difference in net deferred tax assets                        | (7,550)            | 57,129             |
| - Movement in deferred tax asset associated with carry forward tax losses                    | <u>372,662</u>     | <u>63,803</u>      |
| Income tax expense transferred to statement of profit or loss and other comprehensive income | <u>382,867</u>     | <u>133,205</u>     |
| (b) Reconciliation of income tax expense and tax at statutory rate:                          |                    |                    |
| Profit (loss) from ordinary activities   | <u>721,997</u>     | <u>(1,431,929)</u> |
| Income tax expense (benefit) at statutory rate of 27.5% (2018: 27.5%)                        | 198,549            | (393,781)          |
| Add (Less):  |                    |                    |
| Tax effect of:   |                    |                    |
| - Tax reconciling items  | (180,794)          | 406,053            |
| - Deferred tax assets expensed   | <u>365,112</u>     | <u>120,932</u>     |
| Income tax expense attributable to the Consolidated Group                                    | <u>382,867</u>     | <u>133,205</u>     |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

**3. Income tax (continued)**

- (c) The deferred tax expense reflects the movements in the deferred assets and liabilities. The directors have maintained a conservative approach and have recognised 60% (2018: 60%) of the deferred tax assets and liabilities inclusive of carried forward tax losses.

Although the Directors expect sufficient future profitability to enable the full value of all deferred tax assets to be utilized, the decision has been taken not to increase the proportion taken up at this time, with longer demonstration of the Group's return to profitability required before the Board would consider doing so.

The amount of unused net deferred tax assets relating to tax losses which have not been brought to account (being the 40% portion) is \$982,008 (2018: \$1,230,449); and capital tax losses of \$1,850,085 (2018: \$1,850,085).

The amount of net 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) Income tax expense includes current year tax of \$17,755 incurred by the Group's USA subsidiary which is unable to be claimed against Australian tax losses.
- (e) There are no franking credits available to equity holders.

| Year ended   |              |
|--------------|--------------|
| 30 June 2019 | 30 June 2018 |
| \$           | \$           |

**4 Cash and cash equivalents**

|                          |           |         |
|--------------------------|-----------|---------|
| Cash at bank and on hand | 2,532,285 | 528,925 |
|--------------------------|-----------|---------|

**5 Inventories**

|                  |                  |                  |
|------------------|------------------|------------------|
| Raw materials    | 702,936          | 599,097          |
| Work in Progress | -                | 1,696,743        |
| Finished goods   | 2,034,086        | 1,862,313        |
|                  | <u>2,737,022</u> | <u>4,158,153</u> |

**6 Trade and other receivables**

**(a) Current**

|   |                  |                  |
|---|------------------|------------------|
| Trade receivables                             | 1,207,740        | 1,161,464        |
| Less: Provision for impairment of receivables | -                | -                |
| Other receivables and prepayments             | 867,517          | 469,918          |
| Rental & other security deposits              | 114,364          | 116,030          |
|   | <u>2,189,620</u> | <u>1,747,412</u> |

**(b) Ageing reconciliation**

|                                    | Gross amount     | Within trade terms | Past due but not impaired (days overdue) |                |                | Past due & impaired |
|------------------------------------|------------------|--------------------|--|----------------|----------------|---------------------|
|                                    |                  |                    | 31 - 60                                  | 61 - 90        | 90+            |                     |
| <b>2019</b>                        |                  |                    |  |                |                |                     |
| <u>Current</u>                     |                  |                    |  |                |                |                     |
| Trade receivables                  | 1,207,740        | 572,116            | 462,159                                  | 4,993          | 168,472        | -                   |
| Other receivables                  | 867,517          | 867,517            | -  | -              | -              | -                   |
| Rental and other security deposits | 114,364          | 114,364            | -  | -              | -              | -                   |
|                                    | <u>2,189,620</u> | <u>1,553,997</u>   | <u>462,159</u>                           | <u>4,993</u>   | <u>168,472</u> | <u>-</u>            |
| <b>2018</b>                        |                  |                    |  |                |                |                     |
| <u>Current</u>                     |                  |                    |  |                |                |                     |
| Trade receivables                  | 1,124,442        | 615,271            | 63,979                                   | 100,449        | 344,744        | -                   |
| Other receivables                  | 506,940          | 506,940            | -  | -              | -              | -                   |
| Rental & other security deposits   | 116,030          | 116,030            | -  | -              | -              | -                   |
|                                    | <u>1,747,412</u> | <u>1,238,241</u>   | <u>63,979</u>                            | <u>100,449</u> | <u>344,744</u> | <u>-</u>            |

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 2019

7 Interest in joint venture

Investment in joint venture  
Group's share of loss from Zoleo Inc joint venture for the year ended 30 June 2019

| Year ended     |              |
|----------------|--------------|
| 30 June 2019   | 30 June 2018 |
| \$             | \$           |
| 427,919        | -            |
| (327,692)      | -            |
| <u>100,227</u> |              |

The Group has a 50% share in a joint venture company, Zoleo Inc, which was incorporated in Canada in August, 2018.

Zoleo Inc had no contingent liabilities or capital commitments as at 30 June 2019.

Summarised financial information:

**Zoleo Inc**  
**30/06/2019**

Summarised statement of financial position:

|                         |                  |
|-------------------------|------------------|
| Current Assets          | 530,756          |
| Total Assets            | <u>530,756</u>   |
| Current Liabilities     | 330,301          |
| Non-current Liabilities | 855,554          |
| Total Liabilities       | <u>1,185,855</u> |
| Net Asset Deficiency    | <u>(655,099)</u> |
| Share Capital           | 285              |
| Accumulated Losses      | (655,384)        |
| Net Equity              | <u>(655,099)</u> |

Summarised statement of profit or loss and other comprehensive income:

|  |                |
|--|----------------|
| Revenue  | -              |
| Expenses:  |                |
| Operating Expenses                                     | 427,777        |
| Marketing  | 81,388         |
| Professional services                                  | 100,162        |
| Other Expenses   | 46,057         |
| Loss for the year                                      | <u>655,384</u> |
| Group's share of loss for the year ended 30 June, 2019 | <u>327,692</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**8 Plant and equipment**

|   | Year ended   |              |
|---|--------------|--------------|
|   | 30 June 2019 | 30 June 2018 |
|   | \$           | \$           |
| Office furniture and equipment - at cost      | 481,592      | 458,261      |
| Less: Accumulated depreciation and impairment | (428,195)    | (407,999)    |
|   | 53,398       | 50,262       |
| Computer and test equipment - at cost         | 370,110      | 357,313      |
| Less: Accumulated depreciation and impairment | (331,187)    | (293,382)    |
|   | 38,923       | 63,931       |
| Rental equipment - at cost                    | 36,199       | 30,537       |
| Less: Accumulated depreciation and impairment | (25,562)     | (21,731)     |
|   | 10,637       | 8,806        |
| Total plant and equipment                     | 102,957      | 122,998      |

**(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 2017  | 59,537                       | 70,759                    | 39,136           | 169,432  |
| Additions               | 8,710                        | 41,334                    | 374              | 50,418   |
| Disposals               | -                            | -                         | (20,252)         | (20,252) |
| Depreciation expense    | (17,985)                     | (48,163)                  | (10,452)         | (76,599) |
| Balance at 30 June 2018 | 50,262                       | 63,931                    | 8,806            | 122,998  |
| Additions               | 23,332                       | 12,797                    | 8,212            | 44,341   |
| Disposals               | -                            | -                         | (1,148)          | (1,148)  |
| Depreciation expense    | (20,196)                     | (37,805)                  | (5,233)          | (63,233) |
| Balance at 30 June 2019 | 53,398                       | 38,924                    | 10,637           | 102,957  |

**9 Tax**

**Non-current**

**Deferred tax assets**

Deferred tax assets:

Carrying amount of patents and capital raising costs

Accruals

Provisions

Tax losses

Deferred tax liability:

Product development costs

Balance as at 30 June 2019

|  | Opening balance | Charged to Income | Closing balance |
|--|-----------------|-------------------|-----------------|
| Carrying amount of patents and capital raising costs | 326             | (91)              | 235             |
| Accruals   | 34,786          | 38,284            | 73,070          |
| Provisions   | 145,930         | 92,241            | 238,171         |
| Tax losses   | 1,845,674       | (372,662)         | 1,473,012       |
|  | 2,026,716       | (242,228)         | 1,784,489       |
| Deferred tax liability:                              |                 |                   |                 |
| Product development costs                            | (797,859)       | (122,884)         | (920,743)       |
| Balance as at 30 June 2019                           | 1,228,857       | (365,112)         | 863,745         |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|   | Year ended       |                  |
|---|------------------|------------------|
|   | 30 June 2019     | 30 June 2018     |
|   | \$               | \$               |
| <b>10 Intangible assets</b>             |                  |                  |
| Development costs capitalised - at cost | 14,089,443       | 12,131,893       |
| Accumulated amortisation and impairment | (8,509,183)      | (7,296,384)      |
|   | <u>5,580,260</u> | <u>4,835,509</u> |

**(a) Movements in carrying amounts**

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 4,835,509        | 4,338,410        |
| Additional costs capitalised         | 1,957,550        | 1,985,468        |
| Amortisation expense                 | (1,178,889)      | (694,447)        |
| Impairment expense                   | (33,910)         | (793,922)        |
| Balance at the end of the year       | <u>5,580,260</u> | <u>4,835,509</u> |

The Group has assessed the minimum useful life of products from recent development projects at 4 years giving a 25% amortisation rate on completed projects during FY2019.

In line with the accounting policy detailed in Note 1 (iii) (h) the second Inmarsat BRM (BGAN Radio Module) development project carrying value was assessed and reduced to zero at a gross cost of \$33,910.

**11 Trade and other payables**

**Current**

|                             |                  |                  |
|-----------------------------|------------------|------------------|
| Trade payables and accruals | 1,310,299        | 1,533,060        |
| Deferred income             | 2,192,248        | 2,914,806        |
|                             | <u>3,502,547</u> | <u>4,447,866</u> |

Included in Deferred Income at 30 June 2019 is \$1,671,857 of deferred R&D grant income (2018: \$1,580,925).

The Group brings to account the R&D grant income over the same period as the amortisation of the related completed project cost. This resulted in \$740,671 of R&D grant income being recognised in the statement of profit & loss for the year as shown in Note 2 (a).

**12 Other financial liabilities**

**Current**

|                  |         |   |
|------------------|---------|---|
| Secured loan (a) | 950,615 | - |
|------------------|---------|---|

**Non Current**

|                  |         |   |
|------------------|---------|---|
| Secured loan (b) | 641,665 | - |
|------------------|---------|---|

**Secured loans**

- (a) The group has a secured loan finance facility with SGV1 Holdings Limited for US\$2,000,000. In September quarter 2018 the Company drew US\$666,666 on this facility which is the USD balance at 30 June 2019 (A\$950,615). The security is a general security interest over the group's assets and undertakings, ranking second behind the bank facilities. The secured loan facility is for a 36 month term expiring on 1 January 2020 and has been utilized mainly for the purposes of funding product development projects.
- (b) In addition the Company's subsidiary Beam Communications Pty Ltd has a secured loan facility with Roadpost Inc. of up to US\$600,000. Roadpost is a Canadian company and a joint venture partner with Beam Communications Pty Ltd to develop, market and distribute the Zoleo product, a satellite based messaging device, including associated airtime contracts. The Assistance Loan is to assist Beam to establish the business and is repayable at any time at Beam's sole discretion. In June quarter 2019 Beam drew US\$450,000 on this facility which is the USD balance at 30 June 2019 (A\$641,665). The loan is secured by Beam's pledge of shares in Zoleo Inc, an entity established with Roadpost to manage the Zoleo business.
- (c) **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. At 30 June 2019, the company had the following unused bank facilities:  
- an Australian dollar overdraft with a limit of \$300,000. The overdraft was not utilised at 30 June 2019.  
- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

13 Provisions

Current

Employee benefits  
Warranty costs

| Year ended       |                |
|------------------|----------------|
| 30 June 2019     | 30 June 2018   |
| \$               | \$             |
| 998,925          | 569,726        |
| 191,160          | 134,980        |
| <u>1,190,085</u> | <u>704,706</u> |

Non-current

Employee benefits

|        |        |
|--------|--------|
| 32,713 | 19,919 |
|--------|--------|

(a) Movements in provisions for the year ended 30 June 2019

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

| Employee benefits | Warranty costs | Total            |
|-------------------|----------------|------------------|
| 589,645           | 134,980        | 724,625          |
| 879,343           | 70,044         | 949,387          |
| (437,350)         | (13,864)       | (451,214)        |
| <u>1,031,638</u>  | <u>191,160</u> | <u>1,222,798</u> |

14 Issued capital

Issued and paid up capital:

Ordinary fully paid shares

| Year ended   |              |
|--------------|--------------|
| 30 June 2019 | 30 June 2018 |
| \$           | \$           |
| 7,646,641    | 7,646,641    |

The Company has 52,873,452 ordinary shares on issue at 30 June 2019 (2018: 52,873,452).

Balance at 30 June 2018  
Shares Issued  
Balance at 30 June 2019

| Number of shares  | \$               |
|-------------------|------------------|
| 52,873,452        | 7,646,641        |
| -                 | -                |
| <u>52,873,452</u> | <u>7,646,641</u> |

(a) Options over issued capital

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2019 is 2,486,550 (2018: 2,486,550), of which 1,579,050 (2018: 1,579,050) were issued to employees under the Company's Share Option Incentive Plan and 907,500 (2018: 907,500) were issued to Directors following shareholder approval. Refer Note 19: Share Based Payments, for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

14 Issued capital (continued)

(b) 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 2019 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, or convertible note issues.

15 Financial instruments

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

- cash assets;
- receivables;
- payables;
- deposits;

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 - Facilities are provided by the Consolidated Group's bankers and if drawn upon are 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 or in an infunds position.

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

Financial Instrument Composition and Maturity:

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

|                                      | Floating<br>Interest | Fixed<br>Interest | Weighted<br>Average<br>Interest Rate | Non-Interest<br>bearing | TOTAL            |
|--------------------------------------|----------------------|-------------------|--------------------------------------|-------------------------|------------------|
| <b>2019</b>                          |                      |                   |                                      |                         |                  |
| <u>Financial asset</u>               |                      |                   |                                      |                         |                  |
| Cash assets                          | 2,532,285            | -                 | 0.02%                                | -                       | 2,532,285        |
| Receivables                          | -                    | -                 | 0.00%                                | 2,189,620               | 2,189,620        |
| <b>TOTAL</b>                         | <b>2,532,285</b>     | <b>-</b>          |                                      | <b>2,189,620</b>        | <b>4,721,905</b> |
| <u>Financial liability</u>           |                      |                   |                                      |                         |                  |
| Payables (excluding deferred income) | -                    | -                 | 0.00%                                | 2,902,579               | 2,902,579        |
| <b>TOTAL</b>                         | <b>-</b>             | <b>-</b>          |                                      | <b>2,902,579</b>        | <b>2,902,579</b> |
| <b>2018</b>                          |                      |                   |                                      |                         |                  |
| <u>Financial asset</u>               |                      |                   |                                      |                         |                  |
| Cash assets                          | 528,925              | -                 | 0.02%                                | -                       | 528,925          |
| Receivables                          | -                    | -                 | 0.00%                                | 1,747,412               | 1,747,412        |
| <b>TOTAL</b>                         | <b>528,925</b>       | <b>-</b>          |                                      | <b>1,747,412</b>        | <b>2,276,337</b> |
| <u>Financial liability</u>           |                      |                   |                                      |                         |                  |
| Payables (excluding deferred income) | -                    | -                 | 0.00%                                | 1,533,060               | 1,533,060        |
| <b>TOTAL</b>                         | <b>-</b>             | <b>-</b>          |                                      | <b>1,533,060</b>        | <b>1,533,060</b> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

15 Financial instruments (continued)

(b) Foreign currency risk management

Foreign currency risk refers to the risk that the value of a financial commitment, recognised asset or liability will fluctuate due to changes in foreign currency rates. The Consolidated Group conducts the majority of its receivable and payable transactions in foreign currency, primarily in US Dollars. The Group's foreign currency exchange risk arises from the holding of foreign currency deposits and transactions in normal trading operations resulting in trade receivables and payables 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 impacts on profit and equity due to unrealised foreign currency exchange gains or losses on foreign currency deposits and trade receivables and payables are as follows:

|                            | Foreign<br>currency<br>movement | Year ended         |                    |
|----------------------------|---------------------------------|--------------------|--------------------|
|                            |                                 | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
| Impact on profit after tax | +/- 10%                         | +/-76,142          | +/- 30,012         |
| Impact on equity           | +/- 10%                         | +/-76,142          | +/- 30,012         |

The above sensitivity reflects the low net holding of foreign currency financial instruments at balance date. Whilst foreign currency payables and receivables are largely offsetting during the year, the Group monitors and manages the associated currency risks in order to reduce the impact of market risk volatility, therefore no further sensitivity analysis has been provided.

(c) Credit risk management

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

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

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

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

(d) Liquidity risk management

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

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

To help reduce these risks the Consolidated Group:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained; 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<br>cash flows | Carrying<br>amount |
|--------------------------------------|-------------|-------------|---------------------------------|--------------------|
| <b>2019</b>                          |             |             |                                 |                    |
| <u>Asset class</u>                   |             |             |                                 |                    |
| Cash and cash equivalents            | 2,532,285   | -           | 2,532,285                       | 2,532,285          |
| Receivables                          | 2,075,256   | 114,364     | 2,189,620                       | 2,189,620          |
| Payables (excluding deferred income) | (2,260,914) | (641,665)   | (2,902,579)                     | (2,902,579)        |
| Net maturities                       | 2,346,627   | (527,301)   | 1,819,326                       | 1,819,326          |
| <b>2018</b>                          |             |             |                                 |                    |
| <u>Asset class</u>                   |             |             |                                 |                    |
| Cash and cash equivalents            | 528,925     | -           | 528,925                         | 528,925            |
| Receivables                          | 1,631,382   | 116,030     | 1,747,412                       | 1,747,412          |
| Payables (excluding deferred income) | (1,533,060) | -           | (1,533,060)                     | (1,533,060)        |
| Net maturities                       | 627,247     | 116,030     | 743,277                         | 743,277            |

(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.



**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
**(Formerly World Reach Limited)**  
**ABN 39 010 568 804**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**16 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:

|   | Year ended     |                  |
|---|----------------|------------------|
|   | 30 June 2019   | 30 June 2018     |
|   | \$             | \$               |
| Not later than one year                           | 201,864        | 194,409          |
| Later than one year but not later than five years | 761,644        | 852,463          |
| Later than five years                             | -              | 111,045          |
|   | <u>963,508</u> | <u>1,157,917</u> |

The Consolidated Group and parent entity negotiated a 2 year extension to the non-cancellable commercial rental property lease at Mulgrave in March 2017. The new lease expires in December 2023. There is an option to renew the lease for a further 6 year period but no commitment has been entered into. The Consolidated Group also has a minor office equipment lease for a 5 year period expiring in March 2023.

**Capital expenditure commitments**

Capital expenditure projects

|   |                  |                  |
|---|------------------|------------------|
| Not longer than one year                            | 2,628,784        | 1,655,188        |
| Longer than one year and not longer than five years | 727,127          | -                |
| Longer than five years                              | -                | -                |
|   | <u>3,355,911</u> | <u>1,655,188</u> |

Capital commitments relate to product development projects being undertaken by the subsidiary, Beam Communications Pty Ltd.

**Superannuation commitments**

Beam Communications Holdings Limited 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.

**17 Notes to the statement of cash flows**

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

|   |                  |                    |
|---|------------------|--------------------|
| Profit / (Loss) after tax                                   | 339,129          | (1,565,134)        |
| <i>Adjustments for</i>                                      |                  |                    |
| Depreciation  | 63,233           | 76,599             |
| Amortisation  | 1,178,889        | 694,447            |
| Impairment  | 33,910           | 793,922            |
| Net loss on disposal of plant and equipment                 | 1,148            | 20,253             |
| Share of loss in joint venture                              | 327,692          | -                  |
| Unrealised foreign currency net losses / (gains)            | 54,605           | -                  |
| <i>Changes in assets and liabilities:</i>                   |                  |                    |
| Increase in trade and other receivables                     | (446,617)        | (71,351)           |
| (Increase) / Decrease in inventory                          | 1,351,131        | (1,543,096)        |
| Decrease in deferred tax assets                             | 365,112          | 120,932            |
| Decrease in trade and other payables                        | (1,776,922)      | (176,783)          |
| Increase in employee provisions                             | 441,993          | 55,707             |
| Increase in provision for warranty costs                    | 56,180           | 21,052             |
| Increase in provision for stock obsolescence                | 70,000           | 10,000             |
| Decrease in provision for doubtful debts                    | -                | (58,420)           |
| <b>Net cash (used in)/ provided by operating activities</b> | <u>2,059,485</u> | <u>(1,621,871)</u> |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019**

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| Year ended   |              |
|--------------|--------------|
| 30 June 2019 | 30 June 2018 |
| \$           | \$           |

**17 Notes to the statement of cash flows (continued)**

**(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)

|           |         |
|-----------|---------|
| 2,532,285 | 528,925 |
|-----------|---------|

**(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 19.

**(d) Facilities**

At 30 June 2019, the Consolidated Group had the following unused bank facilities with the National Australia Bank:

- an Australian dollar overdraft with a limit of \$300,000. The overdraft was not utilised at 30 June 2019.
- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 30 June 2019.

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. Both were fully utilised at 30 June 2019.

The Consolidated Group's banking facilities are subject to the Group satisfying quarterly covenants set by the bank. While all covenants at 30 June 2019 were met, the Group did not meet all covenants during the year ended 30 June 2019 however the bank reconfirmed the banking facilities as continuing on 28 August 2019.

The Consolidated Group had partly unused secured loan facilities with SGV1 Holdings Limited and Roadpost Inc. Refer to Note 12 for details.

**18 Key management personnel disclosures**

**Compensation by category**

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 1,163,341        | 1,020,915        |
| Post-employee benefits       | 76,122           | 79,448           |
| Other long-term benefits     | 4,224            | 6,918            |
| Termination benefits         | -                | -                |
| Share-based payments         | -                | -                |
|                              | <u>1,243,687</u> | <u>1,107,281</u> |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**19 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 2019:

- (i) 884,813 options were granted on 31 March 2015 to key employees with an expiry date of 31 March 2020 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 June 2015 at \$0.195 per share (Issue WRR55).

95,288 of these options lapsed or were cancelled in the periods prior to 30 June 2019.

789,525 of these options are outstanding as at 30 June 2019.

- (ii) 884,813 options were granted on 24 December 2015 to key employees with an expiry date of 31 August 2020 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 June 2016 at \$0.195 per share (Issue WRR56).

95,288 of these options lapsed or were cancelled in the periods prior to 30 June 2019.

789,525 of these options are outstanding as at 30 June 2019.

- (iii) 907,500 options were granted on 24 December 2015 to a director with an expiry date of 30 November 2020 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 June 2016 at \$0.195 per share (Issue WRR57).

907,500 of these options are outstanding as at 30 June 2019.

(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 2019 |         | 30 June 2018 |         |
|--|--------------|---------|--------------|---------|
|  | No.          | WAEP \$ | No.          | WAEP \$ |
| Outstanding at the beginning of the financial year | 2,486,550    | 0.1950  | 3,086,550    | 0.2834  |
| Granted during the financial year                  | -            | -       | -            | -       |
| Lapsed during the financial year                   | -            | -       | -            | -       |
| Cancelled during the financial year                | -            | -       | -            | -       |
| Exercised during the financial year                | -            | -       | -            | -       |
| Expired during the financial year                  | -            | -       | (600,000)    | 0.6500  |
| Outstanding at the end of the financial year       | 2,486,550    |         | 2,486,550    | 0.1950  |
| Exercisable at the end of the financial year       |              |         | 2,486,550    | 0.1950  |

(c) Notes to Share Based Payments

- (i) The weighted average remaining contractual life for the share options outstanding as at 30 June 2019 is 1.12 years (2018: 2.12 years).

The exercise price for options outstanding at the end of the year was \$0.195 (2018: \$0.195). The weighted average fair value of options granted during the year was \$0 (none granted) (2018: \$0 (none granted)).

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.

**BEAM COMMUNICATIONS HOLDINGS LIMITED**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

|   | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
|---|--------------------|--------------------|
| <b>20 Remuneration of auditors</b>  |                    |                    |
| Remuneration of the Auditor for auditing or reviewing financial reports of the Consolidated Group | 68,000             | 68,000             |

**21 Related party transactions**

Related party transactions with the Season Group and SGV1 Holdings Limited, which are related to Mr C Hung, a director of the company.

*Transactions with the Season Group*

|             |           |           |
|-------------|-----------|-----------|
| - Purchases | 3,764,783 | 3,273,218 |
| - Sales     | (124,323) | (259,410) |

*Amounts outstanding with the Season Group*

|               |          |           |
|---------------|----------|-----------|
| - Receivables | 9,316    | 19,981    |
| - Payables    | (47,187) | (622,198) |

*Transactions with SGV1 Holdings Limited*

|                        |         |   |
|------------------------|---------|---|
| - Secured Loan Payable | 950,615 | - |
|------------------------|---------|---|

Mr C Hung is a director of the company, and is also the president and a director of Season Group. During the year ended 30 June 2019 the company subcontracted manufacturing on an arms length basis to Season Group, in accordance with a contract signed prior to his appointment as director. Transactions between the company and Season Group are on normal commercial terms and conditions no more favourable than those available to other 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. In July 2018 US\$333,333 was drawn on the facility and a further US\$333,333 was drawn in September 2018. Refer to Note 12 for more details.

**22 Earnings per share**

|                                 | \$   | \$     |
|---------------------------------|------|--------|
| <b>Overall operations</b>       |      |        |
| Basic earnings (loss) per share | 0.64 | (3.07) |
| Basic earnings (loss) per share | 0.64 | (3.07) |

|   | No.        | No.        |
|---|------------|------------|
| Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share                                  | 52,873,452 | 50,933,452 |
| Weighted average number of dilutive options on issue  | -          | -          |
| Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings Per Share | 52,873,452 | 50,933,452 |
| Anti-dilutive options on issue not used in dilutive EPS calculation   | 2,486,550  | 2,486,550  |

Anti-dilutive options have not been considered in the dilutive earnings per share calculation due to the average market price being equal to or very close to the exercisable price.

|  | \$      | \$          |
|--|---------|-------------|
| <b>Earnings:</b>   |         |             |
| Earnings (loss) used in the calculation of Basic Earnings Per Share    | 339,129 | (1,565,134) |
| Earnings (loss) used in the calculation of Dilutive Earnings Per Share | 339,129 | (1,565,134) |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

**23 Segment reporting**

**(a) Sole operating segment**

The Consolidated 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. Accordingly, revenue and results are fully disclosed in the consolidated statement of profit or loss and other comprehensive income for this aggregated sole operating 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.

**(b) Revenue by geographical region**

Revenue attributable to external customers is disclosed below, based upon the location of the external customer

|                          | Year ended<br>30 June 2019 |                | Year ended<br>30 June 2018 |                |
|--------------------------|----------------------------|----------------|----------------------------|----------------|
|                          | \$                         | %              | \$                         | %              |
| <b>Sales by country</b>  |                            |                |                            |                |
| Australia                | 4,720,328                  | 25.49%         | 3,336,752                  | 28.67%         |
| United States of America | 4,504,111                  | 24.32%         | 2,721,418                  | 23.38%         |
| United Arab Emirates     | 3,960,465                  | 21.38%         | 1,048,097                  | 9.01%          |
| United Kingdom           | 1,253,935                  | 6.77%          | 1,222,954                  | 10.51%         |
| China                    | 783,920                    | 4.23%          | 251,945                    | 2.16%          |
| Canada                   | 783,134                    | 4.23%          | 1,135,482                  | 9.76%          |
| Japan                    | 488,406                    | 2.64%          | 610,956                    | 5.25%          |
| Other foreign countries  | 2,026,228                  | 10.94%         | 1,310,566                  | 11.26%         |
|                          | <u>18,520,528</u>          | <u>100.00%</u> | <u>11,638,170</u>          | <u>100.00%</u> |

**(c) Major customers**

The Consolidated Group has a number of customers to whom it provides products and services. The Consolidated Group supplied a single customer in the United Arab Emirates accounting for 20% of external revenue (2018: the largest customer was in the USA, 16%) and the second largest customer, located in the United States accounted for 18% of external revenue (2018: second largest customer was in the United Arab Emirates, 8%). The next most significant customer also accounts for 9% of external revenue (2018: 8%).

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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|   | <b>Year ended</b>   |                     |
|---|---------------------|---------------------|
|   | <b>30 June 2019</b> | <b>30 June 2018</b> |
|   | <b>\$</b>           | <b>\$</b>           |
| <b>24 Parent company disclosures</b>  |                     |                     |
| Set out below is the supplementary information about the parent entity.                             |                     |                     |
| <b>(a) Statement of profit or loss and other comprehensive income</b>                               |                     |                     |
| Loss from continuing operations   | (1,276,759)         | (1,051,055)         |
| Tax expense   | (365,112)           | (120,932)           |
| <b>Loss for the year attributable to owners of the Company</b>                                      | <b>(1,641,871)</b>  | <b>(1,171,987)</b>  |
| Other comprehensive income  | -                   | -                   |
| <b>Total loss and other comprehensive income for the year attributable to owners of the Company</b> | <b>(1,641,871)</b>  | <b>(1,171,987)</b>  |
| <b>(b) Statement of financial position</b>  |                     |                     |
| <b>Assets</b>   |                     |                     |
| Current assets  | 1,144,869           | 799,728             |
| Non-current assets  | 956,065             | 1,343,049           |
| <b>Total assets</b>   | <b>2,100,934</b>    | <b>2,142,777</b>    |
| <b>Liabilities</b>  |                     |                     |
| Current liabilities   | 4,467,017           | 2,879,788           |
| Non-current liabilities   | 32,713              | 19,919              |
| <b>Total liabilities</b>  | <b>4,499,730</b>    | <b>2,899,707</b>    |
| Deficiency of net assets  | (2,398,796)         | (756,929)           |
| <b>Equity</b>   |                     |                     |
| Issued capital  | 7,646,641           | 7,646,641           |
| Reserves  | 411,189             | 411,189             |
| Accumulated losses  | (10,456,626)        | (8,814,755)         |
| <b>Total equity</b>   | <b>(2,398,796)</b>  | <b>(756,926)</b>    |

**(c) Guarantees**

The parent company has no contractual guarantees in place.

**(d) Contractual commitments**

Parent entity operating lease commitments are the same as consolidated entity commitments as disclosed in Note 16. The parent entity has no capital expenditure commitments.

**(e) Significant accounting policies of the parent are the same as those for the consolidated entity.**

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

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**25 Controlled entities**

| Investments in unquoted corporations<br>being controlled entities: | Incorporated     | Share class | Holding |      |
|--|------------------|-------------|---------|------|
|  |                  |             | 2019    | 2018 |
| Beam Communications Pty Ltd  | Australia        | Ordinary    | 100%    | 100% |
| SatPhonerental Pty Ltd   | Australia        | Ordinary    | 100%    | 100% |
| SatPhone Shop Pty Ltd  | Australia        | Ordinary    | 100%    | 100% |
| Beam Communications USA Inc  | USA              | Ordinary    | 100%    | 100% |
| Pacarc (PNG) Limited (Dormant)                                     | Papua New Guinea | Ordinary    | 100%    | 100% |

**26 Events after the Reporting Period**

On 30 July 2019 the Company released a statement that an entity controlled by non-executive Director Carl Hung had sold 3.8 million shares or 42% of it's holding in Beam to raise cash for his Chinese businesses. On 19 August 2019 the Company announced the formation of a joint venture with Roadpost Inc., a Canadian company, to develop and market a new satellite messaging and SOS device. Other than the above, there have been no significant events since 30 June 2019.

**27 Company details and principal place of business**

Beam Communications Holdings 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 Beam Communications Holdings Limited declare that:

1. The financial statements and notes as set out in pages 16 to 39 are in accordance with the *Corporations Act 2001* and:
  - (a) comply with Australian Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards;
  - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the year ended on that date of the company and consolidated group; and
  - (c) 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 financial year ending 30 June 2019.

This declaration is made in accordance with a resolution of the Board of Directors on 29 August 2019.



**Mr Simon Wallace**  
**Chairman**

**Date: 29 August 2019**

**RSM Australia Partners**

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of Beam Communications Holdings Limited

**Opinion**

We have audited the financial report of Beam Communications Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



## Key Audit Matters (Continued.)

| Key Audit Matter   | How our audit addressed this matter   |
|--|---|
| <b>Impairment of Intangible Assets</b><br>Refer to Note 9 in the financial statements  |   |
| <p>The Group has intangible assets of \$5.6m, being capitalised development costs relating to Thuraya and Marconi projects.</p> <p>The Thuraya asset was available for use from March 2018, and therefore amortisation commenced during FY18 and continued in FY19. The Marconi asset was not available for use as at 30 June 2019. Management have performed an impairment assessment for both assets based on a value in use calculation, which determined that no impairment had occurred.</p> <p>We identified this area as a Key Audit Matter due to the size of the intangible assets balance and the judgment involved in determining the value in use of the relevant assets based on the estimated future cash flows generated.</p> | <p>Our audit procedures in relation to intangible assets included:</p> <ul style="list-style-type: none"> <li>Assessing management's impairment assessment by checking the mathematical accuracy of the cash flow model, and reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets;</li> <li>Challenging the reasonableness of key assumptions, including the cash flow and revenue projections, revenue growth rate, exchange rates, discount rates, and any sensitivities used; and</li> <li>Confirming our understanding of the nature of the intangible assets, the strategic purpose of the projects and its ability to generate future revenues through discussions with management.</li> </ul> |
| <b>Deferred Tax Asset – tax losses</b><br>Refer to Note 3 and Note 8 in the financial statements   |   |
| <p>The Group has a material Deferred Tax Asset balance of \$864k relating to operating losses and temporary differences.</p> <p>This is considered a key audit matter as there is a high degree of subjectivity and complexity in respect of the recognition of the deferred tax asset and the expectation that future taxable income against which the deferred tax asset can be utilised, is more likely than not.</p>   | <p>Our audit procedures in relation to the deferred tax balance included:</p> <ul style="list-style-type: none"> <li>Assessing management's assumptions in relation to the recoverability of the deferred tax asset and the manner in which temporary differences would be reversed and losses utilised. This included reviewing and challenging management's budgets and cash flow forecasts, and determining the historical accuracy of management's assumptions; and</li> <li>Assessing the appropriateness and adequacy of disclosures made in the financial statements in note 3 <i>Income Tax</i>.</li> </ul>   |

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar2.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Beam Communications Holdings Limited., for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**RSM AUSTRALIA PARTNERS**



**J S CROALL**  
Partner

Dated: 29 August 2019  
Melbourne, Victoria