Beam Communications Holdings Limited
ABN 39 010 568 804

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28 August 2020

The Manager
Market Announcements Platform
Australian Securities Exchange

Appendix 4E and Audited Financial Statements and Reports for year ending 30 June 2020

The Company encloses its Appendix 4E (Final Report) together with Audited FY2020 Financial Statements and Reports including all Notes to the Accounts as well as the Directors' Reports.

Yours faithfully

Dennis Payne
Company Secretary

BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804

Appendix 4E
Final Report
Year ended 30 June 2020

1. Reporting periods

Current reporting period	Year ended 30 June 2020
Previous corresponding period	Year ended 30 June 2019

2. Results for announcement to the market

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2.1	Revenue from ordinary activities	down	16.05%	To 14,923,300
2.2	Profit from ordinary activities after tax attributable to members	Profit down by 1,968,363 on FY2019 profit of 339,129		To (1,629,234)
2.3	Net profit for the period attributable to members	Profit down by 1,968,363 on FY2019 profit of 339,129		To (1,629,234)

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

For the 2020 financial year, the Beam Group produced an underlying net profit after tax of $341,419, despite the challenging global trading conditions and restrictions occasioned by the COVID19 pandemic. This volatile trading environment prompted Beam to take the prudent measure of writing down $1.97m in capitalised development expenses relating to Thuraya WE, which is the principal reason for Beam's final net loss and the main factor in the YOY net profit change.

Despite a consistent lift in sales orders for existing Beam and SatPhone Shop products, including docking units, fixed terminals and accessories, the major delivery of WE units shipped in FY2019 at $3.85m (the contracted quantity with Thuraya) was not able to be replicated in FY2020. Other major factors in the net revenue decline of $2.8m were:

- Deliveries of Iridium GO! - only two in FY2020 (three in FY2019) decreasing revenue by $0.8m YOY,
- Receipt of Thuraya WE minimum guaranteed airtime payments commenced at $1.1m,
- Sales of the new ZOLEO device also commenced in February 2020 adding $1.1m to revenue.
- Difficult trading conditions in June Quarter due to the COVID19 virus, reduced revenue YOY by $0.5m.

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 2020.

7. Individual and total dividend or distribution payments

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

8. Dividend or distribution reinvestment plans

N/A

9. Net tangible assets/ (liabilities) per security

	30 June 2020 Cents per share	30 June 2019 Cents per share
Net tangible assets / (deficiency of assets) per security	4.1747	4.1764

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	
	Current period	**Previous corresponding Period**
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.	$ N/A	$ 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 correspon-ding period	Current period	Previous correspon-ding period
N/A					

12. Other significant information

On 1 July 2020 the Group received a three-year term loan from the National Australia Bank of $500,000, partially secured by the Australian government. On 20 August 2020 SGV1 Holdings Limited extended the expiry date of the US$2m secured loan facility provided to the Group from 1 January 2021 until 1 April 2022.

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, accessories and data airtime services.

A summary of the results for the year follows:

	2020 ($000)	**2019 ($000)**
Revenue	$14,923	$17,777
Other income	$1,918	$744
Deduct:		
Cost of goods sold, research & development, administrative marketing and corporate expenses	$(13,832)	$(16,417)
Operating profit before amortisation, depreciation, interest and tax	**$3,009**	**$2,104**
Deduct:		
Amortisation and impairment	$(4,311)	$(1,179)
Depreciation on fixed assets	$(53)	$(63)
Interest excluding notional	$(163)	$(140)
Operating profit/(loss)	**$(1,518)**	**$722**
Net tax benefit/(expense)	$(112)	$(383)
Net profit/(loss) for year	**$(1,629)**	**$339**

The Beam Group's activities and results in the first half year reflected a continued strong performance following the record revenue and pre-tax profit result for the Group in FY2019. However, despite a consistent lift in sales orders for existing Beam and SatPhone Shop products, including docking units, fixed terminals and accessories, the major delivery of WE units shipped in November 2018 at $3.85m (the contracted quantity with Thuraya) was not able to be replicated in FY2020.

Other major factors in the net revenue decline of $2.8m were:

- The timing of deliveries of Iridium GO! meant that only two took place in FY2020 (three in FY2019) meaning revenue decreased by approximately $0.8m YOY,
- Receipt of Thuraya WE minimum guaranteed airtime payments commenced at $1.1m,
- Sales of the new ZOLEO satellite messaging device also commenced in February 2020 adding $1.1m to revenue.
- Difficult trading conditions in June Quarter from the shock of world-wide lockdowns to contain the Covid-19 virus and as key overseas markets struggled with escalating coronavirus cases, and government restrictions on movement and personal retailer attendances, resulting in a revenue reduction of $0.5m.

Other income in FY2020 included increased R&D grant receipts take up by $673,878 to $1,414,549 and government COVID19 relief amounting to $332,500.

The first half year recorded a profitable performance and in the difficult second half the underlying performance was also profitable, allowing the Beam Group to produce a positive underlying net profit before tax for FY2020 of $453,130 and a positive underlying net profit after tax of $341,419 despite the above-mentioned trading conditions.

The volatile environment prompted Beam to take the prudent measure of writing down $1,970,653 in capitalised development expenses relating to Thuraya WE (100% of the balance that remained). This one-off item led to the net loss after tax of $1,629,234.

15. Audit

The financial statements for the year ended 30 June 2020 have been audited and will not be qualified or include any emphasis of matter.

Signed by Chairman:

Mr Simon Wallace
Date: 28 August 2020

Beam Communications Holdings Limited
and Controlled Entities
ABN 39 010 568 804

Final report
for the financial year ended 30 June 2020

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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SOLICITORS TO THE COMPANY

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AUDITOR

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MELBOURNE VIC 3000
Ph: (03) 9286 8000
Fax: (03) 9286 8199

ASX OFFICE

Based in Melbourne

ASX CODE

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DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2020.

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: 46

Simon Wallace is a corporate lawyer and, based in Melbourne, having previously been an equity partner of the largest law firm in the world, he is now the founder & Managing Partner of his own boutique legal practice.

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: 49

Michael Capocchi has over 25 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: 36

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 and full stack IoT solutions provider with a footprint in Hong Kong, China, Malaysia, Mexico and the 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: 66

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 it's 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 and has been a non-executive director of MyNetFone Group Limited (ASX:MNF) since August 14, 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.

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 (loss) of $(1,629,234) for the FY2020 year, on total revenue and other income of $16,841,164 (2019: total comprehensive income of $339,129 on revenue and other income of $18,520,528).

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

	2020 $000	2019 $000
Revenue	14,923	17,777
Other income	1,918	744
Deduct		
Cost of goods sold, research & development, administrative, marketing and corporate expenses	13,832	16,417
Operating profit (loss) before amortisation, depreciation, interest and tax	3,009	2,104
Deduct		
Amortisation and impairment	4,311	1,179
Depreciation on fixed assets	53	63
Interest excluding notional	163	140
Profit (loss) before income tax	(1,518)	722
Tax (expense) / benefit	(112)	(383)
Net profit (loss) for the year	(1,629)	339
Total comprehensive income (loss) for the year	(1,629)	339

The FY2020 result without the application of AASB16 is immaterially different to the result shown in the above table.

Performance and Profit

Beam Communications Holdings Limited's results for the year ended 30 June 2020 were resilient despite being negatively impacted in the last quarter by the global COVID-19 pandemic as lockdowns and social restrictions across key markets impinged on demand for Beam's products.

Against this challenging backdrop, Beam recorded earnings before interest, tax, depreciation and amortisation (EBITDA) of $3.0 million (FY2019: $2.1m) and trading revenue of $14.9 million (FY19: $17.8m) for the 2020 financial year ended 30 June.

Beam's FY2019 record revenue was bolstered by a $3.85 million order for 3,000 Thuraya WE units. The Group did not receive a follow-on order in FY2020, and while Thuraya may still place further orders for the dual-band hotspot device in the current financial year, management decided it was prudent in this volatile environment to write-down the entire remaining capitalised development cost for the device.

This resulted in the Group's statutory net profit after tax (NPAT) declining to a loss of $1.6 million due to the net $1.1 million Thuraya WE write-down and a $0.8 million write off in respect to three discontinued projects, so that resources and priorities could be focused on major 'pay-off' projects: ZOLEO product enhancements and development of future Iridium Certus devices. Excluding these one-off impairments, Beam's underlying FY2020 NPAT was $341,419 (FY2019: $339,000).

Notwithstanding the Thuraya WE setback, Beam recorded growth in other areas of its business. Some of the year's highlights included:

- Delivered and invoiced 6,276 ZOLEO units in FY2020, another 16,474 units on order for shipment this financial year, with further orders expected.
- Delivered and invoiced 5,000 Iridium GO!® units to Iridium under its sixth order, with the seventh order to be delivered in FY2021, taking total orders of this ingenious product to 45,000 units. Further orders are expected during FY2021
- Increased sales orders for existing Beam and SatPhone Shop products, driven in part by the opening of the Indian market for the first time.

The principal activity of the Group during FY2020 continued to be the manufacture and global distribution of satellite communication terminals, docking units and handheld phone accessories.

The launch of ZOLEO in January of this year is particularly significant for Beam as the solution will generate royalties and recurring revenues for airtime subscriptions through the Group's part ownership of the Zoleo Inc. JV.

Demand for ZOLEO in the North American market is outstanding as the region has not been hindered by restrictions on movement to the same extent as Australia. Sales of ZOLEO in Australia have improved appreciably since May through direct sales to customers (from SatPhone Shop, Amazon Australia and eBay Australia) and through an expanding network of dealers.

The impact of COVID-19 was also felt in other parts of the business, particularly in April and May when Australia first went into lockdown to contain the virus, and as key overseas markets struggled with escalating coronavirus cases. Revenue in these two months were around 30% to 35% below the same period in FY2019.

However, revenue rebounded in the following month such that the June quarter was only 15% below that derived in the corresponding period of 2019. What is also heartening is that the second more severe lockdown in Victoria has not impacted on Beam's revenues as significantly as was sustained in the June quarter, although conditions remain highly unpredictable.

In spite of the sharp, but temporary impact from COVID-19, sales of Beam's base products (i.e. docking units, fixed terminals and accessories) in total still managed to reach the same levels as FY2019 with many items experiencing growth.

SatPhone Shop, Beam's 100% owned on-line retail business and Telstra dealership, also enjoyed a similar rebound. Revenue from this division in FY2020 increased 16% to $1.44 million, its highest on record.

The Group's profits were also bolstered by an increase in airtime revenue and management's quick and decisive cost control program, which was implemented at the onset of the pandemic.

Cash and Funding

Beam's cash holdings at 30 June 2020 were $874,000, supported by an additional $2.8 million in undrawn debt facilities. In the 12 months to 30 June 2020 the Group generated $1.3m cash inflow from trading activities net of all operating costs.

Subsequent to the end of FY2020, the National Australia Bank provided a new $500,000 term debt facility to Beam, which provided the Group with total available funds of $4.2 million. The new term facility is for three years with an interest rate of just 4.5%.

Beam also delivered a positive overall total cash movement in each of the last three quarters of FY2020, which is a pleasing result given the disruption caused by COVID-19 and additional investments for ZOLEO and other new product developments.

The expenditure on major development projects in the financial year amounted to $2.43 million and Beam is yet to receive the government's R&D grant of approximately $0.5 million, expected in October 2020. While Beam benefited from the JobKeeper support package in the amount of $270,000 and the BAS Cash Flow Boost of $62,500, this financial assistance was not material to the Group's financial performance given the trading difficulties overcome during FY2020. Beam may not qualify for phase two of JobKeeper, which will commence in late September.

Outlook and Projects

While no one could have predicted how challenging the last financial year was going to be, currently the FY2021 outlook is positive for Beam even as economic conditions remain highly volatile. There are a few reasons for the optimism.

Firstly, sales of ZOLEO are expected to continue to grow significantly over the next 12-months. The momentum achieved in the North American market is an early indication that Beam will experience similar traction in the Australian market as social restrictions are eased, plus expansion into other new markets globally.

Beam is also close to signing new major retailers to sell ZOLEO, following the JV's partnership with Cabela's in Canada. Cabela's is part of BPS Direct, LLC (Bass Pro Shops), which is the world's largest outdoor equipment retailer with 40,000 employees an annual turnover of around US$8 billion.

Another growth opportunity for Beam is the development and launch of its Iridium Certus® devices. The first of these next-gen devices is anticipated to be launched in FY2021.

Meanwhile, Beam's base business is also well positioned to keep growing organically over the next 12 months. Demand for Iridium GO! is expected to remain robust for the next few years at least, and Beam is expecting to receive new orders for the device from Iridium in the current financial year.

The opening of the Indian market to Inmarsat is likely to lead to further orders for Beam-branded terminals and accessories as these are the only devices, along with the Inmarsat handset, that are approved for sale using the Inmarsat GSPS service in India currently.

The continued strength and resilience of Beam's core business will help support the growth of ZOLEO and the development for Beam's Iridium Certus® devices in FY2021 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, a shareholder in the Company, has been a Director for five years and is currently Chairman of the Board. Simon has lengthy and detailed expertise in legal and commercial matters and leads the Board and the Group in fund raising activities, strategic and corporate governance advice,

Mr David Stewart joined our board in November 2017. David has been a keen advisor to senior management in the rationalisation of development expenditure, providing experienced insight into the communications industry both in Australia and overseas. David remains Beam's major shareholder, holding 20.62% of the shares and assists the Group to expand in the satellite and non-satellite space.

Beam Director Mr Carl Hung was re-elected as a Director by shareholders at the Annual General Meeting of 22 November 2019 and is also the President and CEO of Season Group, a major trading partner of Beam. Season provides Beam with a range of sub-contract services including manufacturing and engineering in China. Carl is Managing Director of SGV1 Holdings Limited, 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. His base in the USA enables him to easily visit the Middle East and UK/Europe, where many core clients are based, as well as domestically within the US. Michael travelled to Australia every 4-6 weeks prior to Australia's travel restrictions, has seen little interruption to his utility and client access as a result of COVID-19 and retains direct and daily contact with management. Michael is also a significant shareholder in the Company.

The Directors believe the return to a significant profit in FY2019 and the underlying trading profit in FY2020 indicate 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 while narrowing the focus on future developments to major and significant projects only.

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 1 July 2020 the Group received a three-year term loan from the National Australia Bank of $500,000, partially secured by the Australian government. On 20 August 2020 SGV1 Holdings Limited extended the expiry date of the US$2m secured loan facility provided to the Group from 1 January 2021 until 1 April 2022 (refer also Note 13).

Other than the above, there have been no significant events since 30 June 2020.

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 2020 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
24.12.15	31.08.20	$0.1950	789,525
24.12.15	30.11.20	$0.1950	907,500
			1,697,025

DIRECTORS' MEETINGS

During the year ended 30 June 2020 the Company held 16 meetings of Directors (including Audit Committee meetings). Attendances by each Director during the year were:

	Directors meetings		**Committees**	
Director	Attended	Maximum Possible Attended	Attended	Maximum Possible Attended
M Capocchi	13	13	0	0
D Stewart	13	13	0	0
C Hung	13	13	3	3
S Wallace	13	13	3	3

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

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 a 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 FY2020 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 $20,000 and a 1% increase in fixed salary for FY2021, 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 $3,009,121 and therefore the potential performance bonus became payable. In addition, the Managing Director achieved 1 of the KPIs. Since May 2020 employees have contributed 20% of their salary payments to COVID-19 relief savings and in a similar manner the Managing Director agreed to reduce his FY2020 bonus by 50%.

Two senior sales executives, who have contractual performance-based bonus entitlements and have achieved above their minimum sales-related target levels in FY2020, have also agreed to reduce their bonus entitlements by approximately 50%. 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.

	2020	2019	2018	2017	2016
Net profit/(loss) before tax ($'000)	(1,517)	722	(1,432)	(423)	417
EBITDA ($'000)	3,009	2,104	(607)	129	1,363
Basic earnings per share	(0.31)	0.64	(3.07)	(1.29)	1.12
Share price at 30 June ($)	0.17	0.27	0.16	0.13	0.23
Market Capitalisation at 30 June	8.99	14.28	8.46	5.61	9.93
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 five 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. In FY2020 the decision was made to terminate three development projects in order to focus development efforts on ZOLEO improvements and Iridium Certus devices, at a cost of $820,000. In addition, the Group took the conservative approach to the Thuraya WE project by writing off the remainder of that project's capitalised value at a net cost of $1,105,000. Excluding these one-off write-downs, the underlying positive NPBT and NPAT recognises the fundamental strength in performance.

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 options in respect to 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 – FY2020 while the Company evaluates the effectiveness of share options as incentives.

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 continued as Managing Director and CEO of the Company for a minimum term of two years. 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.

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 renewal of Mr Capocchi's contract is presently being negotiated.

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			
2020	**Cash salary & fees**	**Cash bonus & Commi-ssions**	**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**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors											
Mr S Wallace	40,277							-	40,277	0.00%	0.00%
Mr M Capocchi [c]	448,645	160,684	4,906	34,220	43,087	9,778		-	701,320	22.91%	0.00%
Mr C Hung	31,250	-						-	31,250	0.00%	0.00%
Mr D Stewart	31,250							-	31,250	0.00%	0.00%
Other											
Mr D Payne	187,420	-	-	(2,876)	17,767	(13,155)		-	189,156	0.00%	0.00%
Mr W Christie	185,386	-	-	12,187	17,574	16,742		-	231,889	0.00%	0.00%
Total	924,228	160,684	4,906	43,531	78,428	13,365	-	-	1,225,142		

	Short-term employee benefits				Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments			
2019	**Cash salary & fees**	**Cash bonus & Commi-ssions**	**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**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**%**	**%**
Directors											
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%
Other											
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%
Total	905,782	215,806	27,335	14,418	76,122	4,224	-	-	1,243,687		

[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 2020 his remuneration has been converted into AU dollars at the exchange rate on 30 June 2020 of 0.6863.

REMUNERATION REPORT (continued)

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

2020	Grant date	Granted number	Value per option at grant date $	Value of options granted during the year $	Value of options exercised during year $	Value of options lapsed during year $	Total $
Directors							
Mr S Wallace	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-
Other							
Mr D Payne	-	-	-	-	-	(21,916)	(21,916)
Mr W Christie	-	-	-	-	-	(31,309)	(31,309)

2019	Grant date	Granted number	Value per option at grant date $	Value of options granted during the year $	Value of options exercised during year $	Value of options lapsed during year $	Total $
Directors							
Mr S Wallace	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-
Other							
Mr D Payne	-	-	-	-	-	-	-
Mr W Christie	-	-	-	-	-	-	-

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

2020	Vested No.	Granted No.	Grant date	Value per option at grant date $	Exercise price $	Expiry date	First exercise date	Last exercise date
			Terms & conditions for each grant					
Directors								
Mr S Wallace	-	-	-	-	-	-	-	-
Mr M Capocchi	-	-	-	-	-	-	-	-
Mr C Hung	-	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-	-
Other								
Mr D Payne	-	-	-	-	-	-	-	-
Mr W Christie	-	-	-	-	-	-	-	-
Total	-	-						

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

DIRECTORS’ REPORT (continued)

REMUNERATION REPORT (continued)

(d) (ii) 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.

2020	Balance 1.07.19	Granted as Remuneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.20	Total Vested 30.06.20	Exercisable 30.06.20	Unexercisable 30.06.20
Directors									
Mr S Wallace	-	-	-	-	-	-	-	-	-
Mr M Capocchi	907,500	-	-	-	-	907,500	907,500	907,500	-
Mr C Hung	-	-	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-	-	-
Other									
D Payne	381,150	-	-	-	(190,575)	190,575	190,575	190,575	-
W Christie	544,500	-	-	-	(272,250)	272,250	272,250	272,250	-
Total	1,833,150	-	-	-	(462,825)	1,370,325	1,370,325	1,370,325	-

2019	Balance 1.07.18	Granted as Remuneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.19	Total Vested 30.06.19	Exercisable 30.06.19	Unexercisable 30.06.19
Directors									
Mr S Wallace	-	-	-	-	-	-	-	-	-
Mr M Capocchi	907,500	-	-	-	-	907,500	907,500	907,500	-
Mr C Hung	-	-	-	-	-	-	-	-	-
Mr D Stewart	-	-	-	-	-	-	-	-	-
Other									
Mr D Payne	381,150	-	-	-	-	381,150	381,150	381,150	-
Mr W Christie	544,500	-	-	-	-	544,500	544,500	544,500	-
Total	1,833,150	-	-	-	-	1,833,150	1,833,150	1,833,150	-

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.

2020	Balance 1.07.19	Received as Remuneration	Options Exercised	Placement Issue [b]	Net Change Other [a]	Balance 30.06.20
Directors						
Mr S Wallace	178,600	-	-	-	21,400	200,000
Mr M Capocchi	1,603,899	-	-	-	-	1,603,899
Mr C Hung	9,243,207	-	-	-	(3,833,333)	5,409,874
Mr D Stewart	10,540,000	-	-	-	365,000	10,905,000
Other						
Mr D Payne	328,570	-	-	-	-	328,570
Mr W Christie	62,778	-	-	-	-	62,778
	21,957,054	-	-	-	- 3,446,933	18,510,121

2019	Balance 1.07.18	Received as Remuneration	Options Exercised	Placement Issue [b]	Net Change Other [a]	Balance 30.06.19
Directors						
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
Other						
Mr D Payne	328,570	-	-	-	-	328,570
Mr W Christie	62,778	-	-	-	-	62,778
	21,957,054	-	-	-	-	21,957,054

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

(f) Shares issued on exercise of remuneration options

No options were exercised by key management personnel during the financial year ended 30 June 2020 or the comparative year ended 30 June 2019.

(g) Voting and comments made at the Company's 2019 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 continues in office in accordance with section 327 of the Corporations Act 2001.

NON AUDIT SERVICES

No non audit services were undertaken by the external auditors during the year ended 30 June 2020.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Signed in accordance with a resolution of the Board of Directors dated 27 August 2020.

Mr Simon Wallace
Chairman
Date: 28 August 2020

RSM Australia Partners

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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 2020, 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.

RSM AUSTRALIA PARTNERS

M PARAMESWARAN
Partner

Dated: 28 August 2020
Melbourne, Victoria

BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020 $	30 June 2019 $
Revenue	2(a)	14,923,300	17,776,666
Other income	2(b)	1,917,865	743,863
Changes in inventories of raw materials, finished goods and work in progress		839,059	(1,421,131)
Raw materials, consumables and other costs of sale	2(c)	(9,192,850)	(9,307,401)
Employee benefits expense		(2,665,464)	(3,329,910)
Depreciation expense	8(a)	(211,015)	(63,233)
Amortisation expense	11(a)	(1,520,080)	(1,178,889)
Impairment expense	11(a)	(2,791,218)	(33,910)
Finance costs expense	2(d)	(271,516)	(139,587)
Auditor remuneration expense	22	(75,800)	(68,000)
Accounting, share registry and secretarial expense		(103,423)	(88,194)
Consultancy and contractor expense		(486,783)	(298,981)
Legal, insurance and patent expense		(182,413)	(175,364)
Marketing and ICT expense		(405,785)	(362,563)
Share of loss from interest in Joint Venture	7	(389,617)	(327,692)
Other expenses	2(e)	(901,782)	(1,003,677)
Profit (loss) before income tax		(1,517,523)	721,997
Tax expense	3(a)	(111,711)	(382,867)
Profit (loss) for the year		(1,629,234)	339,129
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		(1,629,234)	339,129

Net Profit (loss) and total comprehensive loss are both fully attributable to owners of the Company

	Note	30 June 2020	30 June 2019
Earnings per share (cents)	24	(0.31)	0.64
Diluted earnings per share (cents)	24	(0.31)	0.64

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

BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	30 June 2020 $	30 June 2019 $
Current assets			
Cash and cash equivalents	4	873,960	2,532,285
Inventories	5	3,576,082	2,737,022
Trade and other receivables	6	2,337,993	2,189,620
Total current assets		6,788,035	7,458,927
Non-current assets			
Interest in joint venture	7	404,918	100,227
Plant and equipment	8	93,811	102,957
Right-of-use assets	9	519,068	-
Deferred tax assets	10	1,015,413	863,745
Intangible assets	11	3,803,161	5,580,260
Total non-current assets		5,836,371	6,647,190
Total assets		12,624,406	14,106,117
Current liabilities			
Trade and other payables	12	2,785,037	3,502,547
Other financial liabilities	13	971,392	950,615
Lease liabilties	14	182,930	-
Provisions	15	1,294,111	1,190,085
Total current liabilities		5,233,471	5,643,247
Non-current liabilities			
Other financial liabilities	13	818,737	641,665
Lease liabilties	14	514,606	-
Provisions	15	47,120	32,713
Total non-current liabilities		1,380,463	674,378
Total liabilities		6,613,934	6,317,625
Net assets		6,010,472	7,788,492
Equity			
Issued capital	16	7,646,641	7,646,641
Reserves		320,394	411,189
Accumulated losses		(1,956,563)	(269,338)
Total equity		6,010,472	7,788,492

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

BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Issued capital $	Reserves $	Retained earnings $	Total equity $
Balance at 1 July 2018	7,646,641	411,189	(608,467)	7,449,363
Profit for the year	-	-	339,129	339,129
Other comprehensive income for the year, net of income tax	-	-	-	-
Balance at 30 June 2019	7,646,641	411,189	(269,338)	7,788,492
Balance at 1 July 2019	7,646,641	411,189	(269,338)	7,788,492
Effect of initial application of AASB 16 - (Note 1)	-	-	(178,190)	(178,190)
Deferred tax effect of initial application of AASB 16 (Note 1)	-	-	29,403	29,403
Balance at 1 July 2019 - As restated	7,646,641	411,189	(418,125)	7,639,705
Profit for the year	-	-	(1,629,234)	(1,629,234)
Other comprehensive income for the year, net of income tax	-	-	-	-
Transactions with owners in their capacity as owners:				
- Adjustment for employee share options lapsed	-	(90,795)	90,795	-
Balance at 30 June 2020	7,646,641	320,394	(1,956,563)	6,010,472

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

BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Year ended 30 June 2020 $	30 June 2019 $
Cash flow from operating activities			
Receipts from customers		15,393,052	17,919,076
Payments to suppliers and employees		(13,614,662)	(15,705,440)
Interest received		717	3,192
Interest and finance charges paid		(220,743)	(139,587)
Income tax paid		(233,977)	(17,755)
COVID-19 relief		230,000	-
Net cash (used in)/ provided by operating activities	19(a)	1,554,387	2,059,485
Cash flow from investing activities			
Purchases of plant & equipment	8(a)	(56,595)	(44,341)
Development costs capitalised		(2,534,199)	(1,957,551)
Research and development grant		-	831,603
Interest in joint venture		(689,997)	(436,443)
Net cash used in investing activities		(3,280,791)	(1,606,732)
Cash flow from financing activities			
Net loan payments		220,978	1,550,607
Lease liability repayments		(152,900)	-
Net cash used in financing activities		68,078	1,550,607
Net decrease in cash and cash equivalents		(1,658,326)	2,003,360
Cash and cash equivalents at beginning of year		2,532,285	528,925
Cash and cash equivalents at end of financial year	19(b)	873,960	2,532,285

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

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.

(ii) New or amended Accounting Standards and Interpretations adopted

The Group 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.

AASB 16 Leases

AASB 16 Leases became mandatorily effective on 1 July 2019. Therefore this standard has been applied for the first time in this set of financial statements. The transition approach and impact of this standard have been described below.

AASB 16 'Leases' replaces AASB 117 'Leases'. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The transition impact upon initial adoption of AASB 16 on statement of financial position (increase/ (decrease)) is as follows:

	1 July 2019
	$
Right-of-use assets	677,829
Deferred tax assets	29,403
Lease liabilities	(856,019)
Retained earnings	(148,787)

The following is a reconciliation of total operating lease commitments as at 30 June 2019 to the lease liabilities recognised at 1 July 2019:

	1 July 2019
	$
Operating lease commitments disclosed under AASB 117 as at 30 June 2019	963,508
New lease commitments as at 1 July 2019	32,916
Low value leases not recognised as a right-of-use asset	-
Adjustment in relation to variable lease payments	9,700
Operating lease liabilities before discounting	1,006,124
Discounted using incremental borrowing rate	(150,105)
Lease liability recognised under AASB 16 as at 1 July 2019	856,019
Right-of-use asset recognised under AASB 16 as at 1 July 2019	677,829
Reduction in opening retained earnings as at 1 July 2019	(148,787)
Deferred tax effect of initial application of AASB 16 as at 1 July 2019	29,403

When measuring lease liabilities for lease that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 7.3% to 8%.

Leases accounting policy

The Group assesses whether a contract is or contains a lease, at inception of the contract. The entity recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

1. Summary of significant accounting policies (continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the entity uses its incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received, any initial direct costs and an estimate of any costs to dismantle and remove the asset at the end of the lease. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. They are subject to impairment or adjusted for remeasurement.

AASB Interpretation 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112. It does not apply to taxes or levies outside the scope of AASB 112, nor does it include specific requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately or collectively
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credit credits and tax rates
- How an entity considers changes in facts and circumstances

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions, particular those relating to transfer pricing. The Company's and the subsidiaries' tax fillings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study,that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

(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 27.

(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.

1. Summary of significant accounting policies (continued)

(iii) 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 2020.

(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.

1. Summary of significant accounting policies (continued)

(iii) 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 fair value adjusted by transactions costs 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 17 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 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.

1. Summary of significant accounting policies (continued)

(iii) 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) 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.

(o) Critical accounting estimates, judgments and assumptions

The preparation of the Group's consolidated financial statement requires management to make judgements, estimates and assumptions. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Information about areas of estimation uncertainty and critical assumptions are described in the following notes:

- Note 3 Deferred tax asset – tax losses
- Note 11 Impairment of intangible assets
- Note 14 Lease liabilities – Estimating the incremental borrowing rate
- Note 21 Share-based payment – Determination of valuation model and assumptions about incentive plan

1. Summary of significant accounting policies (continued)

(p) New accounting standards for application in future periods

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

Accounting Standards and Interpretations	Applicable to annual reporting periods beginning on or after
• AASB 2019-1 Conceptual Framework for Financial Reporting Amendments to Australian Accounting Standards – Reference to conceptual framework	1 July 2020
• AASB 2018-6 Amendments to AASs Definition of a Business	1 July 2020
• AASB 2018-7 Amendments to AASs Definition of Material	1 July 2020
• AASB 2019-3 Amendments to AASs Interest Rate Benchmark Reform Business	1 July 2020
• AASB 2019-5 Amendments to AASs Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia Business	1 July 2020
• AASB 2020-1 Amendments to AASs Classification of Liabilities as Current or Non-current Business	1 July 2022
• AASB 2014-10 Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 July 2022

The Group is in the process of reviewing these amended standards and interpretations however it is not expected that this will have a significant impact on the Group's consolidated financial statements.

		Year ended	
		30 June 2020	**30 June 2019**
		$	**$**
2	**Profit (loss) before income tax**		
(a)	Disaggregation of revenue:		
	Type of goods or services		
	- Equipment sales	13,023,662	17,179,648
	- Airtime	1,514,365	526,060
	- Other	385,273	70,958
		14,923,300	17,776,666
	Geographical markets		
	- Australia	3,115,480	3,976,465
	- United States of America	4,045,000	4,504,112
	- United Arab Emirates	1,048,492	3,960,465
	- United Kingdom	1,321,229	1,253,935
	- China	284,976	783,920
	- Canada	2,168,610	783,134
	- Japan	450,198	488,406
	- Other foreign countries	2,489,314	2,026,228
		14,923,299	17,776,666
	Timing of revenue recognition		
	- Goods and services transferred at a point in time	13,023,662	17,179,648
	- Goods and services transferred over time	1,899,638	597,018
		14,923,300	17,776,666
(b)	Other income		
	- Research and Development grant	1,414,549	740,671
	- Interest	164,187	3,192
	- COVID-19 relief	332,500	-
	- Other	6,629	-
		1,917,865	743,863

The Research and Development grant $1,414,549 includes $865,394 brought to account upon full amortisation of the capitalised Thuraya WE terminal, in accordance with the accounting policy detailed in Note 1 (iii) (k). (See also Note 11 (a).)

The interest income includes interest-free benefit of $163,470 recognised on a U$600,000 loan from Roadpost. (See also Note 13 (b).)

The Group was eligible to receive a JobKeeper allowance of $270,000 and a Cash Flow Boost payment of $62,500 from the Australian government. (See also Note 28.)

(c)	Cost of sales		
	Opening inventories	2,737,022	4,158,153
	Add: Purchases and other stock adjustments	9,192,850	9,307,401
		11,929,872	13,465,554
	Closing inventories (Note 5)	(3,576,082)	(2,737,022)
		8,353,790	10,728,532
(d)	Finance costs expense		
	Interest expense on financial liabilities	213,864	139,587
	Interest expense on lease liabilities	57,652	-
		271,516	139,587
(e)	Other expenses include		
	- Product development costs expensed	273,796	311,516
	- Operating lease payments	47,005	232,125
3	**Income tax**		
(a)	The components of tax expense comprise:		
	Current tax		
	- Current tax expense (d)	233,977	17,755
	- Current movement of temporary difference in net deferred tax assets	(368,234)	(7,550)
	- Movement in deferred tax asset associated with carry forward tax losses	216,565	372,662
	- Deferred tax effect of initial application of AASB 16 (Note 1)	29,403	-
	Income tax expense transferred to statement of profit or loss and other comprehensive income	111,711	382,867
(b)	Reconciliation of income tax expense and tax at statutory rate:		
	Profit (loss) from ordinary activities	(1,517,523)	721,997
	Income tax expense (benefit) at statutory rate of 27.5% (2019: 27.5%)	(417,319)	198,549
	Add (Less):		
	Tax effect of:		
	- Tax reconciling items	446,721	(198,549)
	- Current year tax loss	233,977	17,755
	- Deferred tax assets (gain) / loss	(122,266)	365,112
	- Deferred tax effect of initial application of AASB 16 (Note 1)	(29,403)	-
	Income tax expense attributable to the Consolidated Group	111,711	382,867

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% (2019: 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 $837,632 (2019: $982,008); and capital tax losses of $1,850,085 (2019: $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 $233,977 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 2020 $	Year ended 30 June 2019 $
4 Cash and cash equivalents		
Cash at bank and on hand	873,960	2,532,285
5 Inventories		
Raw materials	795,681	829,686
Finished goods	3,025,401	2,102,336
Less: Provision for stock obsolescence	(245,000)	(195,000)
	3,576,082	2,737,022
6 Trade and other receivables		
(a) Current		
Trade receivables	1,342,615	1,207,740
Less: Provision for expected credit losses	-	-
Other receivables and prepayments	881,854	867,517
Rental & other security deposits	113,523	114,363
	2,337,993	2,189,620

(b) Ageing reconciliation	Gross amount	Within trade terms	Past due but not impaired (days overdue) 31 - 60	61 - 90	90+	Past due & impaired
2020						
Current						
Trade receivables	1,342,615	1,135,181	202,932	66	4,436	-
Other receivables	881,854	881,854	-	-	-	-
Rental and other security deposits	113,523	113,523	-	-	-	-
Expected credit loss rate	0%	0%	0%	0%	0%	0%
2019						
Current						
Trade receivables	1,207,740	572,116	462,159	4,993	168,472	-
Other receivables	867,517	867,517	-	-	-	-
Rental & other security deposits	114,363	114,363	-	-	-	-
Expected credit loss rate	0%	0%	0%	0%	0%	0%

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

	Year ended	
	30 June 2020	30 June 2019
	$	$
7 Interest in joint venture		
Investment in joint venture	1,117,717	427,919
Group's accumulated share of loss from Zoleo Inc joint venture	(712,799)	(327,692)
	404,918	100,227

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 2020.

The Group contributed U$475,000 to the joint venture during the year, which was recognised as an increase in investment as per the equity accounting method.

Summarised financial information:

	Zoleo Inc	
	30 June 2020	30 June 2019
Summarised statement of financial position:		
Current Assets	1,430,190	530,756
Total Assets	1,430,190	530,756
Current Liabilities	620,365	330,301
Non -current Liabilities	2,258,488	855,554
Total Liabilities	2,878,853	1,185,855
Net Asset Deficiency	(1,448,663)	(655,099)
Share Capital	291	285
Accumulated Losses	(1,448,954)	(655,384)
Net Equity	(1,448,663)	(655,099)
Summarised statement of profit or loss and other comprehensive income:		
Revenue	2,174,203	-
Cost of goods sold	2,196,968	-
Expenses:		
Operating Expenses	572,107	427,777
Marketing	21,626	81,388
Professional services	59,190	100,162
Other Expenses	103,545	46,057
Total Expenses	756,468	655,384
Loss for the year	(779,233)	(655,384)
Group's share of loss for the year ended	(389,617)	(327,692)

	Year ended	
8 Plant and equipment	**30 June 2020**	**30 June 2019**
	$	**$**
Office furniture and equipment - at cost	491,431	481,592
Less: Accumulated depreciation and impairment	(448,980)	(428,195)
	42,451	53,398
Computer and test equipment - at cost	390,971	370,110
Less: Accumulated depreciation and impairment	(356,412)	(331,187)
	34,559	38,923
Rental equipment - at cost	44,458	36,199
Less: Accumulated depreciation and impairment	(27,657)	(25,562)
	16,801	10,637
Total plant and equipment	93,811	102,957

(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 2018	50,262	63,930	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)	(63,234)
Balance at 30 June 2019	53,398	38,922	10,637	102,957
Additions	9,839	20,861	25,895	56,595
Disposals	-	-	(13,486)	(13,486)
Depreciation expense	(20,785)	(25,225)	(6,245)	(52,255)
Balance at 30 June 2020	42,452	34,558	16,801	93,811

	Year ended	
9 Right-of-use assets	**30 June 2020**	**30 June 2019**
	$	**$**
Cost		
Balance recognised at the beginning of the year	677,829	-
Additions	-	-
Disposals	-	-
Balance at the end of year	677,829	-
Accumulated depreciation		
Balance recognised at the beginning of the year	-	-
Charge for the year	(158,761)	-
Disposals	-	-
Balance at the end of year	(158,761)	-
Carrying amount	519,068	-

The Group leases several assets which includes building, forklift and printers and the lease term of these assets are 9 years, 3 years and 5 years respectively. However the lease term left at the end of current reporting period is less then 4 years. There are no variable lease payment terms in any lease contracts.

There are no extension or termination options on the leases.

The Group received a rental relief for the office buildings in light of COVID-19. 15% of May and June rents were deferred for 24 months and another 15% waived. The deferred amount of $4,934 will be paid in split amounts in May and June 2022.

Amount recognised in profit or loss	
Depreciation expense on right-of-use assets	158,761
Interest expense on lease liabilities	57,652
Expense relating to short-term leases	1,200
Expense relating to leases of low value assets	22,558

10 Tax

Non-current

Deferred tax assets

	Balance at 1 July 2019	Charged to Income	Balance at 30 June 2020
Deferred tax assets:			
Carrying amount of patents and capital raising costs	235	(91)	144
Accruals	73,070	18,736	91,806
Provisions	238,171	26,919	265,090
Lease Liabilities	-	115,093	115,093
Tax losses	1,473,012	(216,565)	1,256,447
	1,784,488	(55,908)	1,728,580
Deferred tax liability:			
Product development costs	(920,743)	293,222	(627,521)
Right-of-Use Assets	-	(85,646)	(85,646)
	863,745	**151,668**	**1,015,413**

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
11 Intangible assets		
Development costs capitalised - at cost	16,623,642	14,089,443
Accumulated amortisation and impairment	(12,820,481)	(8,509,183)
	3,803,161	5,580,260
(a) Movements in carrying amounts		
Balance at the beginning of the year	5,580,260	4,835,509
Additional costs capitalised	2,534,199	1,957,550
Amortisation expense	(1,520,080)	(1,178,889)
Impairment expense	(2,791,218)	(33,910)
Balance at the end of the year	3,803,161	5,580,260

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 FY2020.

In line with the accounting policy detailed in Note 1 (iii) (h) the carrying value of assets is reviewed to determine whether there is an indication that those assets have been impaired. At 30 June 2020 the Group decided that three projects should have their carrying value reduced to zero at a cost of $820,565 as they had been terminated. In addition in the absence of further orders after the initial contractual quantity was delivered in November 2018, the Group has decided to reduce the partially amortised carrying value of the Thuraya WE terminal at a cost of $1,970,653. Also in line with accounting policy the remaining relevant deferred R&D grant received has been brought to account giving an offsetting credit of $865,394. (See also Note 2 (b)).

12 Trade and other payables

	30 June 2020 $	30 June 2019 $
Current		
Trade payables and accruals	2,258,898	1,310,299
Deferred income	526,139	2,192,248
	2,785,037	3,502,547

Included in Deferred Income at 30 June 2020 is $257,307 of deferred R&D grant income (2019: $ $1,671,857). 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 $1,414,549 of R&D grant income being recognised in the statement of profit & loss for the year as shown in Note 2 (b).

13 Other financial liabilities

Current		
Secured loan (a)	971,392	950,615
Non Current		
Secured loan (b)	758,703	641,665
Unsecured loan (c)	60,034	-
	818,737	641,665

Secured loans

(a) The Group has a secured loan finance facility with SGV1 Holdings Limited for US$2,000,000. As at 30 June 2020, US$666,666 (A$971,392) has been drawn down. The security is a general security interest over the group's assets and undertakings, ranking second behind the bank facilities. It has been utilized mainly for the purposes of funding product development projects. On 20 August 2020, SGV1 Holdings Limited extended the U$2mil secured loan facility from 1 January 2021 out until 1 April 2022.

(b) In addition the Company 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 interest-free Assistance Loan is to assist Beam to establish the business and is repayable at Beam's sole discretion. The interest-free benefit was recognised at $163,470. (See also Note 2 (b).) As at 30 June 2020, US$600,000 (A$758,703) has been drawn down. The total loan balance of A$758,703 represents the fair value of the loan at 30 June 2020. The loan is secured by Beam's pledge of shares in Zoleo Inc, an entity established with Roadpost to manage the Zoleo business.

(c) The Group has an unsecured loan facility with supplier DEK Technologies Pty. Ltd. for A$400,000 to fund the GO2 development costs. Beam pays 50% of each invoice by the due date and the remaining 50% is taken to the loan facility. The unsecured loan facility is for a 24 months term from the first invoice payable date, unless Beam repays the loan in full prior to the expiration of the 24 month period.

14 Lease liabilities	**Year ended 30 June 2020 $**	**Year ended 30 June 2019 $**
(a) Carrying amounts and movements:		
At beginning of the year	856,019	-
Additional	-	-
Decrease in liability	(158,483)	-
At the end of the year	697,536	-
Disclosed as:		
Current	182,930	-
Non-current	514,606	-
	697,536	-

The entity does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The incremental borrowing rate applied to various lease liabilities recognised under AASB 16 ranges between 7.30% - 8%.

The maturity analysis of lease liabillities are disclosed in Note 17(d).

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
15 Provisions		
Current		
Employee benefits	1,082,979	998,925
Warranty costs	211,132	191,160
	1,294,111	1,190,085
Non-current		
Employee benefits	47,120	32,713

(a) Movements in provisions

	Employee benefits	Warranty costs	Total
Balance at the beginning of the year	1,031,638	191,160	1,222,798
Additional provisions	516,827	34,076	550,904
Amounts used	(418,366)	(14,104)	(432,471)
Balance at the end of the year	1,130,099	211,132	1,341,231

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
16 Issued capital		
Issued and paid up capital:		
Ordinary fully paid shares	7,646,641	7,646,641

The Company has 52,873,452 ordinary shares on issue at 30 June 2020 (2019: 52,873,452).

	Number of shares	$
Balance at 30 June 2019	52,873,452	7,646,641
Shares Issued	-	-
Balance at 30 June 2020	52,873,452	7,646,641

(a) Options over issued capital

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2020 is 1,697,025 (2019: 2,486,550), of which 789,525 (2019: 1,579,050) were issued to employees under the Company's Share Option Incentive Plan and 907,500 (2019: 907,500) were issued to Directors following shareholder approval. Refer Note 21: Share Based Payments, for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

16 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 2020 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.

17 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:

2020	Floating Interest	Fixed Interest	*Weighted Average Interest Rate*	Non-Interest bearing	TOTAL
Financial asset					
Cash assets	873,960	-	*0.00%*	-	873,960
Receivables	-	-	*0.00%*	2,337,993	2,337,993
TOTAL	873,960	-		2,337,993	3,211,953
Financial liability					
Payables (excluding deferred income)	-	1,031,426	*10.00%*	3,017,601	4,049,027
Lease liabilities	-	697,536	*7.36%*	-	697,536
TOTAL	-	1,728,962		3,017,601	4,746,563
2019					
Financial asset					
Cash assets	2,532,285	-	*0.02%*	-	2,532,285
Receivables	-	-	*0.00%*	2,189,620	2,189,620
TOTAL	2,532,285	-		2,189,620	4,721,905
Financial liability					
Payables (excluding deferred income)	-	905,615	*10.00%*	1,996,964	2,902,579
TOTAL	-	905,615		1,996,964	2,902,579

17 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 currency movement	**Year ended 30 June 2020 $**	**30 June 2019 $**
Impact on profit after tax	+/- 10%	+/-68,382	+/-76,142
Impact on equity	+/- 10%	+/-68,382	+/-76,142

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:

2020	< 1 Year	1 - 5 Years	Total contractual cash flows	Carrying amount
Asset class				
Cash and cash equivalents	873,960	-	873,960	873,960
Receivables	2,224,471	113,522	2,337,993	2,337,993
Payables (excluding deferred income)	(3,230,290)	(818,737)	(4,049,027)	(4,049,027)
Lease liabilities	(182,930)	(514,606)	(697,536)	(697,536)
Net maturities	(314,789)	(1,219,821)	(1,534,610)	(1,534,610)
2019				
Asset class				
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

(e) Net fair values of financial assets and liabilities

Secured loan with Roadpost Inc. was measured at fair value under AASB 13 and classified as Level 3 in the fair value hierarchy. The Group received a financing benefit, being non-cash consideration, in the form of an interest free loan. The Group has used discount rate of 6% to calculate its interest free benefit. This assumption is not directly observable. The increase in the discount rate would decrease the fair value of the loan.

	Year ended 30 June 2020 $	Year ended 30 June 2019 $

18 Commitments and contingencies

Capital expenditure commitments

	30 June 2020 $	30 June 2019 $
Capital expenditure projects		
Not longer than one year	2,707,924	2,628,784
Longer than one year and not longer than five years	295,754	727,127
Longer than five years	-	-
	3,003,678	3,355,911

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.

19 Notes to the statement of cash flows

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

	30 June 2020 $	30 June 2019 $
Profit / (Loss) after tax	(1,629,234)	339,129
Adjustments for		
Depreciation	211,015	63,233
Amortisation	1,520,080	1,178,889
Impairment	2,791,218	33,910
Net loss on disposal of plant and equipment	13,486	1,148
Share of loss in joint venture	389,617	327,692
Unrealised foreign currency net losses	158,113	54,605
Interest free benefit	(163,470)	-
Notional interest expense	50,773	-
Changes in assets and liabilities:		
Increase in trade and other receivables	(281,325)	(446,617)
(Increase) / Decrease in inventory	(889,059)	1,351,131
(Increase) / Decrease in deferred tax assets	(122,266)	365,112
Decrease in trade and other payables	(662,993)	(1,776,922)
Increase in employee provisions	98,461	441,993
Increase in provision for warranty costs	19,972	56,180
Increase in provision for stock obsolescence	50,000	70,000
Net cash (used in)/ provided by operating activities	1,554,387	2,059,485

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
19 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)	873,960	2,532,285

(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 21.

(d) Banking 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 2020, 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 2020.
- a US dollar overdraft with a limit of US$320,000. The US dollar overdraft was not utilised at 30 June 2020.

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 2020.

The Consolidated Group's banking facilities are subject to the Group satisfying quarterly covenants set by the bank. The Group did not meet all covenants during the year ended 30 June 2020, due mainly to the timing of major sales orders, however the bank reconfirmed the banking facilities as continuing on 18 August 2020.

The Consolidated Group had partly unused secured loan facilities with SGV1 Holdings Limited and Roadpost Inc. Refer to Note 13 for details.

20 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:

	30 June 2020 $	30 June 2019 $
Short-term employee benefits	1,133,349	1,163,341
Post-employee benefits	78,428	76,122
Other long-term benefits	13,365	4,224
Termination benefits	-	-
Share-based payments	-	-
	1,225,142	1,107,281

21 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 2020:

(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).

884,813 of these options lapsed or were cancelled in the periods prior to 30 June 2020.
None of these options are outstanding as at 30 June 2020.

(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 2020.
789,525 of these options are outstanding as at 30 June 2020.

(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 2020.

(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 2020		**30 June 2019**	
	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	(789,525)	-	(600,000)	0.6500
Outstanding at the end of the financial year	1,697,025	0.1950	2,486,550	0.1950
Exercisable at the end of the financial year	1,697,025	0.1950	2,486,550	0.1950

(c) Notes to Share Based Payments

The weighted average remaining contractual life for the share options outstanding as at 30 June 2020 is 0.30 years (2019: 1.12 years).
The exercise price for options outstanding at the end of the year was $0.195 (2019: $0.195).
The weighted average fair value of options granted during the year was $0 (none granted) (2019: $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.

	30 June 2020 $	30 June 2019 $
22 Remuneration of auditors		
Remuneration of the Auditor for auditing or reviewing financial reports of the Consolidated Group	75,800	68,000

23 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.

	30 June 2020 $	30 June 2019 $
Transactions with the Season Group		
- Purchases	2,450,879	3,764,783
- Sales	(87,978)	(124,323)
Amounts outstanding with the Season Group		
- Receivables	16,854	9,316
- Payables	(45,893)	(47,187)
Transactions with SGV1 Holdings Limited		
- Secured Loan Payable	971,392	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 2020 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 13 (a) for more details.

24 Earnings per share

	¢	¢
Overall operations		
Basic earnings (loss) per share	(0.31)	0.64
Diluted earnings (loss) per share	(0.31)	0.64

	No.	No.
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	52,873,452	52,873,452
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	52,873,452
Anti-dilutive options on issue not used in dilutive EPS calculation	1,697,025	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.

	$	$
Earnings:		
Earnings (loss) used in the calculation of Basic Earnings Per Share	(1,629,234)	339,129
Earnings (loss) used in the calculation of Dilutive Earnings Per Share	(1,629,234)	339,129

25 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 it 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) 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 States accounting for 19% of external revenue (2019: the largest customer was in the United Arab Emirates, 20%) and the second largest customer, located in Canada, accounted for 7% of external revenue (2019: second largest customer was in the United States, 18%). The next most significant customer also accounts for 6% of external revenue (2019: 8%).

26 Parent company disclosures

Set out below is the supplementary information about the parent entity.

(a) Statement of profit or loss and other comprehensive income

	Year ended 30 June 2020 $	Year ended 30 June 2019 $
Loss from continuing operations	(694,156)	(1,276,759)
Tax expense	122,266	(365,112)
Loss for the year attributable to owners of the Company	(571,890)	(1,641,871)
Other comprehensive income	-	-
Total loss and other comprehensive income for the year attributable to owners of the Company	(571,890)	(1,641,871)

(b) Statement of financial position

	30 June 2020 $	30 June 2019 $
Assets		
Current assets	412,459	1,144,869
Non-current assets	1,611,491	956,065
Total assets	2,023,950	2,100,934
Liabilities		
Current liabilities	4,750,545	4,467,017
Non-current liabilities	561,726	32,713
Total liabilities	5,312,271	4,499,730
Deficiency of net assets	(3,288,321)	(2,398,796)
Equity		
Issued capital	7,646,641	7,646,641
Reserves	320,394	411,189
Accumulated losses	(11,255,356)	(10,456,626)
Total equity	(3,288,321)	(2,398,796)

(c) Guarantees

The parent company has no contractual guarantees in place.

(d) Contractual commitments

The parent entity has no capital expenditure commitments.

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

27 Controlled entities

Investments in unquoted corporations being controlled entities:	Incorporated	Share class	Holding 2019	Holding 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%

28 COVID-19 outbreak

Conditions created by the COVID-19 pandemic remain highly fluid and are constantly evolving in Australia and world-wide. However, Beam is cautiously optimistic as sales have largely rebounded from the initial and continuing COVID-19 lockdowns internationally. Beam's operations of sales, warehousing and distribution, based out of Australia, have continued to operate without significant impact and overseas production resumed quickly in China and also in Malaysia although under restictions there.
While gross revenues in April and May were 30-35% lower than the same months last year, June recovered significantly such that June quarter was approximately 15% lower than in 2019 and only the April month produced a negative Group operating result.
The Australian government announced the implementation of measures to mitigate the impact of COVID-19 and Beam qualified to receive a JobKeeper allowance of $90,000 per month starting in April. Additionally, the Group received a 3 year term loan from the National Australia Bank of $500,000 partially secured by the Australian government immediately after the Reporting period.
The impact of COVID-19 has not thus far been as severe as revised modelling had contemplated. Since the start of June, Beam has observed a notable improvement in world-wide interest from consumers for ZOLEO and the inclination for consumers to pursue leisure activities in countries which are not in strict lockdowns such as USA and Canada. This bodes well for the outlook for satellite communication devices however the duration and future direction of the COVID-19 crisis cannot be predicted.

29 Events after the reporting period

The Group received a 3 year term loan from the National Australia Bank of $500,000 partially secured by the Australian government on 1 July 2020. On 20 August 2020, SGV1 Holdings Limited extended the US$2m secured loan facility provided to the Group from 1 January 2021 out until 1 April 2022 (Refer also Note 13).

Other than the above, there have been no significant events since 30 June 2020.

30 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 15 to 40 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 2020 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 2020.

This declaration is made in accordance with a resolution of the Board of Directors on 27 August 2020.

Mr Simon Wallace
Chairman

Date: 28 August 2020

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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 2020, 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 2020 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.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed this matter</th></tr>
<tr><td colspan="2">Impairment of Intangible Assets

Refer to Note 11 in the financial statements</td></tr>
<tr><td>The Group has intangible assets of $3.8m, being capitalised development costs relating to the Marconi and GO! SFX projects.

The Marconi asset was available for use from 29 January 2020, and therefore amortisation commenced during FY20. The GO! SFX project was not available for use as at 30 June 2020.

Further, management have determined that an impairment of $2.79m was required on three other projects, including the Thuraya asset.

Management have performed an impairment assessment for all other material project assets based on a value in use calculation, which determined that no further impairment had occurred.

We identified this area as a Key Audit Matter due to the size of the intangible assets balance, the management judgement required to assess whether any indicators of impairment exist, and where any indicators of impairment existed, management judgement involved in determining the value in use of the relevant assets based on the estimated future cash flows generated.</td><td>Our audit procedures in relation to intangible assets included:

• Assessing management's review for any indicators of impairment;
• Where indicators existed, 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;
• 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
• 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.
• Reviewing the adequacy of disclosures against the requirements of AASB 136.</td></tr>
<tr><td colspan="2">Fair Value of Interest Free Loan

Refer to Note 13 in the financial statements</td></tr>
<tr><td>The group received a $0.87m loan that bears no interest.

Given the nature of the loan, the determination of the fair value of the loan can be complex and requires significant management estimate and judgement. Further, the correct accounting treatment between the fair value of the loans and the face value of the loans can be complex. For the reasons noted above, accounting for the above loan was considered a key audit matter.</td><td>Our audit procedures in relation to the accounting for interest free loans included:

• Reviewing loan agreement to verify loan amount, interest rate and maturity date;
• Obtaining confirmation from the lender verifying he loan balance at balance date;
• Assessing management's assumptions in determining the fair value of the loan, including the discount rate/market interest rate used; and
• Reviewing the accounting treatment for the difference between fair value of the loan and the face value of the loan.</td></tr>
</table>

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 2020, 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. 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 2020.

In our opinion, the Remuneration Report of Beam Communications Holdings Limited., for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Report on the Remuneration Report (continued)

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

M PARAMESWARAN
Partner

Dated: 28 August 2020
Melbourne, Victoria