



**World Reach Limited**  
ABN 39010 568 804

5 / 8 Anzed Court, Mulgrave,  
Victoria, Australia 3170

T +61 3 8561 4200  
F +61 3 9560 9055  
E: [info@worldreach.com.au](mailto:info@worldreach.com.au)

30<sup>th</sup> August 2010

The Manager  
Company Announcements Platform  
Australian Securities Exchange

### **Appendix 4E**

The company encloses its Appendix 4E Preliminary Final Report, together with its Preliminary Financial Report and Notes to the accounts, for the year ended 30 June 2010.

Yours faithfully

A handwritten signature in black ink, appearing to read "A Bigum".

A Bigum  
Chairman

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

**Appendix 4E**  
**Preliminary Final Report**  
**Year ended 30 June 2010**

**1. Reporting periods**

Current reporting period      Year ended 30 June 2010  
Previous corresponding period    Year ended 30 June 2009

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

		\$A	
2.1	Revenues from continuing activities	Down 14.38%	to 7,809,725
	Revenues from discontinuing activities	Down 72.04%	to 82,000
	Total Revenue	Down 16.18%	to 7,891,725
2.2	Profit from ordinary activities after tax attributable to members	Loss of 369,069 for FY 2010	Profit of 634,280 for FY 2009
2.3	Net profit for the period attributable to members	Loss of 369,069 for FY 2010	Profit of 634,280 for FY 2009
2.4	Dividends (distributions)	Amount per security	Franked amount per security
	Final dividend	NIL ¢	NIL ¢
	Interim dividend	NIL ¢	NIL ¢
	Previous corresponding period:		
	Final dividend	NIL ¢	NIL ¢
Interim dividend	NIL ¢	NIL ¢	
2.5	Record date for determining entitlements to the dividend	N/A	
2.6	EXPLANATION Refer to item 14 – Commentary on results for the year.		

### 3, 4 & 5. Income Statement, Balance Sheet and Cash flow Statement

Refer to the attached financial statements together with notes for the year ended 30 June 2010.

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

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

### 7. Dividend or Distribution Reinvestment Plans

N/A

### 8. Statement of Accumulated Losses and movements

Refer to the attached financial statements together with notes for the year ended 30 June 2010.

### 9. Net Tangible Assets/(Liabilities) per security

	30 June 2010 Cents per share	30 June 2009 Cents per share
Net tangible assets / (deficiency of assets) per security	(0.1313) ¢	(0.0808) ¢

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

10.1 Name of the entity.

N/A
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10.2 The date of the gain or loss of control.

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

Current period	Previous corresponding Period
\$ N/A	\$ N/A

**11. Details of associates and joint venture**

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

**12. Other significant information**

N/A
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**13. Foreign entities**

N/A
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## 14. Commentary on results for the year

World Reach Ltd and its controlled entities reports a loss for the year ended 30 June 2010 of \$369,069 after including profits from a discontinued business of \$82,000 (2009 Profit of \$634,280 after including profits from a discontinued business of \$293,275).

During the year the Group's operations were the development and marketing of a range of products and accessories for equipment used in satellite communications networks.

A summary of the results for the year follows:

	<b>2010 (\$000)</b>	<b>2009 (\$000)</b>
Revenue	\$ 7,810	\$ 9,121
Deduct:		
Cost of Goods Sold, Research & Development, Administrative Marketing and Corporate Expenses	\$(7,998)	\$(8,546)
<b>Operating profit before interest and tax</b>	<b>\$ (188)</b>	<b>\$ 575</b>
Deduct:		
Interest	\$ (263)	\$ (234)
<b>Operating profit (Loss)</b>	<b>\$ (451)</b>	<b>\$ 341</b>
Add:		
Profit attributable to discontinued business	\$ 82	\$ 293
<b>Net profit for year</b>	<b>\$ (369)</b>	<b>\$ 634</b>

Revenue and trading results for the year have been affected by three main issues:

- The global financial crisis and consequential decline in economic activity had a major impact on sales, particularly to customers in North America.
- Approximately \$3.7m of the Company's sales are denominated in \$USD. The increase in the exchange rate between \$AUD and \$USD reduced the amount of these sales and gross profit margins.
- Net foreign exchange losses totaling \$150,222.

The Group has committed significant management and other resources to the development of new products which are anticipated to generate substantial sales and profits following their release to the market in the 2010/11 year.

## 15. Audit

The financial statements for the year ended 30 June 2010 are currently in the process of being audited.

**Signed by Director:**



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**Mr Anthony Peter Bigum**

**Date: 30<sup>th</sup> August 2010**

**World Reach Limited  
and Controlled Entities**

ABN 39 010 568 804

Preliminary financial report  
for the year ended 30 June 2010

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

**PRELIMINARY FINAL REPORT  
FOR THE YEAR ENDED  
30 JUNE 2010**

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	<b>Note</b>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>Continuing Operations</b>			
Revenue	2(a)	7,809,725	9,121,456
Changes in inventories of raw materials, finished goods and work in progress		96,341	36,220
Raw materials, consumables and other costs of sale	2(b)	(4,908,892)	(5,177,200)
Employee benefits expense		(1,882,139)	(2,080,899)
Depreciation expense	8(a)	(107,339)	(99,125)
Finance costs expense	2(c)	(263,236)	(234,343)
Auditor remuneration expense	20	(57,342)	(67,324)
Accounting, share registry and secretarial expense		(83,047)	(117,836)
Consultancy and contractor expense		(110,466)	(136,734)
Legal and insurance expense		(92,080)	(93,945)
Other expenses		<u>(852,594)</u>	<u>(809,265)</u>
Profit / (Loss) before income tax		(451,069)	341,005
Income tax (expense) / benefit	3(a)	<u>-</u>	<u>-</u>
Profit / (Loss) from continuing operations		(451,069)	341,005
<b>Discontinued operations</b>			
Profit from discontinued operations	4	<u>82,000</u>	<u>293,275</u>
<b>Profit / (Loss) for the year attributable to owners of the Company</b>		(369,069)	634,280
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income / (loss) for the year attributable to owners of the Company</b>		<u><u>(369,069)</u></u>	<u><u>634,280</u></u>
Profit / (Loss) and total comprehensive income / (loss) are both fully attributable to owners of the Company			
<b>Overall operations</b>			
Basic earnings per share (cents)	21	(0.06)	0.10
Diluted earnings per share (cents)	21	(0.06)	0.06
<b>Continuing operations</b>			
Basic earnings per share (cents)	21	(0.07)	0.05
Diluted earnings per share (cents)	21	(0.07)	0.03
<b>Discontinuing operations</b>			
Basic earnings per share (cents)	21	0.01	0.05

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

WORLD REACH LIMITED AND CONTROLLED ENTITIES  
 ABN 39 010 568 804

CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2010

	Note	2010 \$	2009 \$
<b>Current assets</b>			
Cash and cash equivalents	5	406,853	233,686
Inventories	6	1,816,681	1,720,340
Trade and other receivables	7	1,037,350	850,580
<b>Total current assets</b>		<u>3,260,884</u>	<u>2,804,606</u>
<b>Non-current assets</b>			
Plant and equipment	8	351,201	197,155
Intangible assets	9	764,590	-
<b>Total non-current assets</b>		<u>1,115,791</u>	<u>197,155</u>
<b>Total assets</b>		<u>4,376,675</u>	<u>3,001,761</u>
<b>Current liabilities</b>			
Trade and other payables	10	979,067	804,024
Other financial liabilities	11	2,210,705	514,499
Short-term provisions	12	263,318	419,228
<b>Total current liabilities</b>		<u>3,453,090</u>	<u>1,737,751</u>
<b>Non-current liabilities</b>			
Other financial liabilities	11	1,750,000	1,750,000
Long-term provisions	12	37,131	45,938
<b>Total non-current liabilities</b>		<u>1,787,131</u>	<u>1,795,938</u>
<b>Total liabilities</b>		<u>5,240,221</u>	<u>3,533,689</u>
<b>Net assets / (deficiency of net assets)</b>		<u>(863,546)</u>	<u>(531,928)</u>
<b>Equity</b>			
Issued capital	13	19,869,935	19,869,935
Reserves		299,174	395,938
Accumulated losses		(21,032,655)	(20,797,801)
<b>Equity attributable to owners of the Company</b>		<u>(863,546)</u>	<u>(531,928)</u>
<b>Total equity</b>		<u>(863,546)</u>	<u>(531,928)</u>

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	Issued capital \$	Reserves \$	Retained earnings (Accumulated losses) \$	Total equity \$
Balance at 1 July 2008	19,790,798	394,597	(21,498,930)	(1,313,535)
Total comprehensive income attributable to owners of the Company	-	-	634,280	634,280
Transactions with owners in their capacity as owners				
- Remuneration based option payments	-	68,190	-	68,190
- Adjustment for employee share options lapsed	-	(66,849)	66,849	-
- Contributions of equity, net of transaction costs	79,137	-	-	79,137
<b>Balance at 30 June 2009</b>	<b>19,869,935</b>	<b>395,938</b>	<b>(20,797,801)</b>	<b>(531,928)</b>
Balance at 1 July 2009	19,869,935	395,938	(20,797,801)	(531,928)
Total comprehensive income / (loss) attributable to owners of the Company	-	-	(369,069)	(369,069)
Transactions with owners in their capacity as owners				
- Remuneration based option payments	-	37,451	-	37,451
- Adjustment for employee share options lapsed	-	(134,215)	134,215	-
<b>Balance at 30 June 2010</b>	<b>19,869,935</b>	<b>299,174</b>	<b>(21,032,655)</b>	<b>(863,546)</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 30 JUNE 2010**

	2010	2009
Note	\$	\$
<b>Cash flow from operating activities</b>		
Receipts from customers	8,150,945	9,783,560
Payments to suppliers and employees	(8,384,405)	(10,211,578)
Interest received	442	13,885
Interest and finance charges paid	(263,236)	(290,998)
Export market development grant	103,755	-
<b>Net cash provided by / (used in) operating activities</b>	16(a) (392,499)	(705,131)
<b>Cash flow from investing activities</b>		
Purchases of plant and equipment	8(a) (264,397)	(25,226)
Proceeds from sale of plant and equipment	8(a) 164	-
Development costs capitalised	9 (764,589)	-
Proceeds on sale of Network Services division	-	195,433
<b>Net cash provided by / (used in) investing activities</b>	(1,028,823)	170,207
<b>Cash flow from financing activities</b>		
Net cash proceeds / (payments) - Unsecured other loans	1,319,278	(7,573)
Payments on 2009 share buy back	(9,323)	(53,526)
Repayment of secured convertible note upon maturity	-	(1,825,000)
Proceeds on issue of secured convertible notes	-	1,725,000
Proceeds on share purchase plan	-	155,000
<b>Net cash provided by / (used in) financing activities</b>	1,309,954	(6,099)
<b>Net increase / (decrease) in cash and cash equivalents</b>	(111,368)	(541,023)
Cash and cash equivalents at beginning of year	(258,476)	282,547
<b>Cash and cash equivalents at end of financial year</b>	16(b) (369,844)	(258,476)

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**1. Summary of significant accounting policies**

**(i) Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of World Reach Limited and controlled entities. World Reach Limited is a listed public company, incorporated and domiciled in Australia. Separate financial statements for the parent company no longer need to be disclosed due to amendments to the Corporations Regulations 2001. However, mandatory summary parent company information is disclosed in Note 24.

The financial report of World Reach Limited and controlled entities, complies with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards. Compliance with Australian equivalents to International Financial Reporting Standards ensures compliance with International Financial Reporting Standards.

*Reporting Basis and Conventions*

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

**(ii) Going concern**

The Consolidated Group incurred a loss for the year ended 30 June 2010 of \$369,069 after including writeback of provisions relating to a discontinued business of \$82,000 (profit of \$634,280 in 2009 after including a profit from a discontinued business and the sale of that business of \$293,275).

At 30 June 2010, the Group had a net asset deficiency of \$863,546 (2009 net deficiency of \$531,928). Current liabilities exceeded current assets by \$192,206 (current assets exceeded current liabilities by \$1,066,855 in 2009).

The Group had a negative cash flow during the year of \$111,368 (negative cash flow of \$541,023 in 2009) as the negative cash flow from operations of \$392,499 was partially offset by the receipt of loans for the design and development of a new product of \$1,319,278 which exceeded capital expenditure of \$1,028,823.

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

The future financial position of the Group is supported by the following:

- the Group will secure a further loan totalling \$2,142,000 subsequent to the 30 June 2010 to complete the design and development of new products and for the marketing and inventory build up of these products. The loan agreement with the lender provides for repayment from a percentage of the proceeds from the sale of these products over a 2 year period.
- The Group has extended the maturity date of convertible notes with a face value of \$1,450,000 from July 2011 to July 2013 to further strengthen the Group's financial position.
- World Reach Limited is planning to provide shareholders with the opportunity to take up additional shares at a discount to the market value by way of a share purchase plan in early 2011 and anticipates raising not less than \$300,000.
- The Group did not meet all covenants required under its banking facility arrangements during the year ended 30 June 2010. However subsequent to 30 June 2010 the Company has negotiated the continuation of arrangements for the provision of overdraft facilities of \$1,000,000 and guarantee facilities of \$92,000. The Company's bankers have imposed covenants in relation to the continuation of these facilities including lodgement with the bank of a deposit of \$500,000 by 31 August 2010 which the Company considers will be satisfied.
- The Group is forecasting profitable trading and positive cash flow from operations for the year ended 30 June 2011. These forecast trading profits and cash flows are based on a continuation of existing economic conditions and exchange rates applicable at the date of the report. The forecasts include estimated sales of existing products at levels achieved in the year ended 30 June 2010 and significant additional sales of new products developed for release with new handheld satellite phones in September 2010. Any material variation in economic conditions, exchange rates or the anticipated level of acceptance of the new products will effect the timing and amount of sales and will have a consequential effect on future profits and cash flows.

The receipt of future loans to support the completion of product design and development, marketing and inventory build up expenditure, and the requirement to repay these loans from a proportion of proceeds from the sale of these products, together with the achievement of profitable trading and positive cash flow from operations, the continuation of current banking facilities, the issue of additional share capital under a share purchase plan and the extension of the maturity date for convertible notes to July 2013, will provide the Group with sufficient cash flows to continue as a going concern.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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

**(iii) Accounting policies**

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated. When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

**(a) Principles of consolidation**

The consolidated accounts comprise the accounts of the company and all entities controlled by the company. A controlled entity is any entity over which World Reach Limited has the power to control the financial and operating policies so as to obtain benefits from its activities. A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a 30 June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

**(b) Income tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by balance date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the Statement of Comprehensive Income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Due to the consolidated group's continued tax losses, the consolidated group has not recognised deferred tax assets as at 30 June 2010. Refer Note 3(c). At each reporting date, the consolidated group re-assesses unrecognised deferred tax assets as to the extent that it has become probable that future tax profit will enable recognition.

World Reach Limited and its wholly owned Australian subsidiaries have formed a tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own tax expense and deferred tax. The current tax liability of each group entity and deferred tax assets arising from tax losses are immediately assumed by the parent entity.

**(c) Plant & equipment**

Plant and equipment is carried at cost less any accumulated depreciation and impairment losses, where applicable.

The carrying amount of plant and equipment is reviewed at each reporting date by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Repairs and maintenance to plant and equipment is charged to the Statement of Comprehensive Income during the financial period in which it is incurred.

The depreciable amount of plant and equipment is depreciated on a straight line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use.

The straight line depreciation rates for plant and equipment were as follows for both 2009 and 2010.

Office furniture and equipment	10%
Computer and test equipment	33%
Rental equipment	20% - 33%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the Statement of Comprehensive Income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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

**(d) Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials and direct labour.

**(e) Product development**

Development costs are capitalised only when it is probable that the expected future economic benefits would flow to the company and can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to future economic benefits. Expenditure during the research phase of a project is recognised as an expense when incurred.

**(f) Employee benefits**

*Leave entitlements*

Provision is made for the company's liability for employee leave entitlements arising from services rendered by employees to balance date. Entitlements that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

*Sales incentives provisions*

Provision is made for the company's liability under the Sales Incentive Scheme. The scheme applies to certain managers whose performance is sales related and who have a sales incentive included in their employment contract.

*Superannuation*

Contributions made by the company to employee superannuation funds are charged to the Statement of Comprehensive Income as expenses when incurred.

*Equity - settled compensation*

Share and option based employee compensation benefits are provided in accordance with the World Reach Limited Share Option Incentive Plan.

The fair value of options granted under this plan are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised pro rata over the period during which the employees become entitled to the options. The fair value at grant date is independently determined using the Black-Scholes option pricing model. Further information relating to equity settled compensation is provided in Notes 17 and 18 to these financial statements.

**(g) Financial instruments**

Financial instruments in the form of trade receivables, trade payables and other financial assets and liabilities are initially measured at transaction cost on trade date when the related contractual rights or obligations arise. Realised and unrealised gains or losses arising from changes in the fair value of these assets or liabilities are included in the Statement of Comprehensive Income in the period in which they arise. At each reporting date, the group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Comprehensive Income. Refer Note 14 for a detailed review of the group's financial instruments.

**(h) Impairment of assets**

At each reporting date, the group reviews the carrying values of its tangible assets to determine whether there is an indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the Statement of Comprehensive Income.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

**(i) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

**(j) Revenue recognition**

Revenue from the sale of goods and services is recognised upon delivery of goods or performance of services to customers.

Interest revenue and rental income is recognised when it becomes receivable. Other revenue is recognised when the right to receive the revenue has been established.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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

**(k) Foreign currency transactions and balances**

*Functional and presentation currency*

The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates.

*Transactions and balances*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continued to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the Statement of Comprehensive Income, except where deferred in equity as a qualifying cash flow or net investment hedge.

**(l) Leases**

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(m) Goods and Services Tax (GST)**

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the asset or expense cost. Receivables and Payables are shown in the Statement of Financial Position as inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

**(n) Critical accounting estimates and judgments**

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Accounting estimates and judgements made in relation to the recognition of deferred tax assets are indicated in Note 3(c).

**(o) New accounting standards and interpretations**

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
<b>2 Profit / (Loss) before income tax</b>		
<b>(a) Revenue from continuing operations</b>		
<i>Revenue</i>		
- Equipment sales	7,669,441	8,825,471
- Equipment hire	85,216	89,140
- Other	20,871	4,937
	<u>7,775,528</u>	<u>8,919,548</u>
<i>Other income</i>		
- Interest	442	13,885
- Realised foreign currency exchange net gains	-	118,023
- Export market development grant	33,755	70,000
	<u>34,197</u>	<u>201,908</u>
Total revenue from continuing operations	<u>7,809,725</u>	<u>9,121,456</u>
<b>(b) Cost of sales for continuing operations</b>		
Opening inventories	1,720,340	1,684,120
Add: Purchases and other stock adjustments	4,908,892	5,177,200
	<u>6,629,232</u>	<u>6,861,320</u>
Closing inventories (Note 6)	(1,816,681)	(1,720,340)
	<u>4,812,551</u>	<u>5,140,980</u>
<b>(c) Finance costs expense</b>		
Interest expense on financial liabilities		
- External	263,236	234,343
Total finance costs expense	<u>263,236</u>	<u>234,343</u>
<b>(d) Other expenses include:</b>		
- Directors fees for the year	50,004	50,005
- Write back in prior over provision of directors fees	-	(28,861)
- Realised foreign currency exchange net losses	48,506	-
- Unrealised foreign currency net losses	83,670	-
- Product development costs expensed	234,819	422,151
- Write back in provision for bad and doubtful debts	(22,000)	(43,538)
- Minimum lease payments on operating leases	112,629	119,991

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>3 Income tax</b>		
(a) The components of tax expense / (benefit) comprise:		
Current tax		
- Current tax benefit (Refer 3b below)	(205,839)	(4,524)
- Current movement in deferred tax not brought to account	205,839	4,524
Income tax expense / (benefit) transferred to Statement of Comprehensive Income	<u>-</u>	<u>-</u>
(b) The prima facie tax benefit on profit / (loss) from ordinary activities before income tax is reconciled to the current income tax benefit as follows:		
Profit / (loss) from ordinary activities	(369,069)	634,280
Prima facie income tax benefit on profit / (loss) from ordinary activities at 30% (2009: 30%)	(110,721)	190,284
Add / (Less):		
Tax effect of:		
- Deductible amortisation	(30,939)	(45,854)
- Decrease in provisions	(68,616)	(28,108)
- Decrease in accruals	(34,125)	(144,355)
- Sundry items	38,562	23,509
Income tax expense / (benefit) attributable to the Consolidated Group	<u>(205,839)</u>	<u>(4,524)</u>

- (c) Deferred tax assets, relating to deductible temporary differences, accumulated tax losses and capital losses carried forward, amounting to \$5,809,372 have not been recognised at 30 June 2010 (2009: \$5,742,625).

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

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

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

**4 Discontinued operations**

The Consolidated Group finalised the amount of the post completion payment in relation to the sale of the Network Services division in 2008 and received the balance of the sale consideration due under the contract. Profit from discontinued operations in the current year of \$82,000 comprises writeback of related warranty and debt provisions (2009: \$293,275 consists of the additional profit on sale of the division of \$131,754 and debts recovered of \$161,521).

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>5 Cash and cash equivalents</b>		
Cash at bank and in hand	<u>406,853</u>	<u>233,686</u>
<b>6 Inventories</b>		
Raw materials	1,085,003	384,240
Work In Progress	131,177	926,535
Finished Goods	600,501	409,565
	<u>1,816,681</u>	<u>1,720,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

		2010	2009
		\$	\$
<b>7 Trade and other receivables</b>			
<b>(a) Current</b>			
Trade receivables		666,797	592,258
Less: Provision for impairment		-	(22,000)
		<u>666,797</u>	<u>570,258</u>
Other receivables and prepayments		290,397	232,791
Rental security deposit		80,156	47,531
		<u><u>1,037,350</u></u>	<u><u>850,580</u></u>
<b>(b) Ageing reconciliation</b>			
	<b>Gross amount</b>	<b>Within trade terms</b>	<b>Past due but not impaired (days overdue)</b>
			<b>31 - 60      61 - 90      90+</b>
			<b>Past due &amp; impaired</b>
<b>2010</b>			
<u>Current</u>			
Trade receivables	666,797	456,089	160,888
Other receivables	290,397	290,397	-
Rental security deposit	80,156	80,156	-
	<u>80,156</u>	<u>80,156</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>2009</b>			
<u>Current</u>			
Trade receivables	592,258	305,478	183,195
Other receivables	232,791	232,791	58,074
Rental security deposit	47,531	47,531	-
	<u>47,531</u>	<u>47,531</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
<b>(c) Provision for Impairment Reconciliation</b>			
Opening balance		(22,000)	(145,445)
Writeback of provision		22,000	48,983
Amounts written off against provision		-	28,056
Debt collections		-	46,406
		<u>-</u>	<u>(22,000)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
<b>8 Plant and equipment</b>		
Office furniture and equipment - at cost	318,604	95,415
Less: Accumulated depreciation and impairment	<u>(81,721)</u>	<u>(61,870)</u>
	<u>236,883</u>	<u>33,545</u>
Computer and test equipment - at cost	185,473	153,988
Less: Accumulated depreciation and impairment	<u>(124,613)</u>	<u>(87,923)</u>
	<u>60,860</u>	<u>66,065</u>
Rental equipment - at cost	216,212	212,886
Less: Accumulated depreciation and impairment	<u>(162,754)</u>	<u>(115,341)</u>
	<u>53,458</u>	<u>97,545</u>
Total plant and equipment	<u><u>351,201</u></u>	<u><u>197,155</u></u>

**(a) Movements in carrying amounts**

Movements in the carrying amounts of each class of plant and equipment between the beginning and the end of the current financial year

	Office Furniture & Equipment	Computer & Test Equipment	Rental Equipment	Total
Balance at 1 July 2008	43,867	98,413	139,394	281,674
Additions	4,670	15,460	5,096	25,226
Disposals	(1,886)	(8,204)	(529)	(10,619)
Depreciation expense	(13,106)	(39,604)	(46,416)	(99,126)
Impairment	-	-	-	-
Balance at 30 June 2009	<u>33,545</u>	<u>66,065</u>	<u>97,545</u>	<u>197,155</u>
Additions	226,225	34,846	3,326	264,397
Disposals	(164)	-	-	(164)
Depreciation expense	(22,553)	(37,373)	(47,413)	(107,339)
Depreciation capitalised in Development Costs (Note 9)	(170)	(2,678)	-	(2,848)
Impairment	-	-	-	-
Balance at 30 June 2010	<u><u>236,883</u></u>	<u><u>60,860</u></u>	<u><u>53,458</u></u>	<u><u>351,201</u></u>

	2010 \$	2009 \$
<b>9 Intangible assets</b>		
<b>Development costs capitalised</b>		
Cost	764,590	-
Accumulated amortisation and impairment	<u>-</u>	<u>-</u>
	<u><u>764,590</u></u>	<u><u>-</u></u>

**10 Trade and other payables**

**Current**

Trade payables and accruals	887,075	768,777
Deferred income	<u>91,992</u>	<u>35,247</u>
	<u><u>979,067</u></u>	<u><u>804,024</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
<b>11 Other financial liabilities</b>		
<b>Current</b>		
Bank overdraft	776,697	492,162
Secured advances under contract	1,420,994	-
Unsecured other loans	13,014	22,337
	<u>2,210,705</u>	<u>514,499</u>
<b>Non Current</b>		
Secured convertible notes	1,450,000	1,450,000
Unsecured other loans	300,000	300,000
	<u>1,750,000</u>	<u>1,750,000</u>

**Bank Facilities**

All bank facilities are secured by first ranking Registered Mortgage Debenture over the Consolidated Group's assets including uncalled capital and called but unpaid capital.

**Secured convertible notes**

At 30 June 2010 convertible notes with a face value of \$1,450,000 were outstanding on the following terms:

- Maturity date	July 2013
- Conversion price	\$0.0045
- Interest rate	8%
- Potential ordinary shares on conversion	322,222,222

Note holders were issued with 43,500,000 options to subscribe for shares in the Company at an exercise price of \$0.006. These options vested immediately and expire on 1 July 2014.

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

**Secured advances under contract**

During the year the Company received advances under a contract with Inmarsat PLC of \$1,420,994 to develop and begin the manufacture of docking units compatible with the Inmarsat hand held satellite phone. These advances are secured by a charge over the Intellectual Property developed under the agreement, are non-interest bearing and are to be repaid as a percentage of the sales proceeds of the docking units.

**12 Provisions**

**Current**

Employee benefits	243,318	319,228
Warranty costs	20,000	100,000
	<u>263,318</u>	<u>419,228</u>

**Non current**

Employee benefits	<u>37,131</u>	<u>45,938</u>
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**(a) Movements in provisions for the year ended 30 June 2010**

	Employee benefits	Warranty costs	Total
Balance at the beginning of the year	365,166	100,000	465,166
Additional provisions	228,982	-	228,982
Amounts used	(313,699)	-	(313,699)
Provision written back	-	(80,000)	(80,000)
Balance at the end of the year	<u>280,449</u>	<u>20,000</u>	<u>300,449</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

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	2010	2009
	\$	\$
<b>13 Issued capital</b>		
Issued and paid up capital:		
Ordinary fully paid shares	<u>19,869,935</u>	<u>19,869,935</u>

The Company has 657,906,777 ordinary shares on issue at 30 June 2010 (2009: 657,906,777).

No movements in issued and paid up ordinary share capital of the Company occurred during the year.

**(a) Options over issued capital**

The total number of potential ordinary shares attributable to options outstanding as at 30 June 2010 is 134,906,250 (2009: 132,566,250), of which 43,500,000 (2009: 41,160,000) were issued to employees under the Company's Share Option Incentive Plan. Refer Note 18: Share Based Payments for details of options issued, exercised and lapsed during the financial year and the options outstanding at year end.

The balance of 91,406,250 (2009: 91,406,250) options outstanding were issued to investors in addition to subscriptions for convertible notes.

**(b) Convertible notes**

The total number of potential ordinary shares attributable to convertible notes outstanding at 30 June 2010 is 322,222,222. Refer Note 11 for details.

**(c) 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 2010 or prior years.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

14 Financial instruments

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

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

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

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

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

(a) Interest rate risk management

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

Interest rate risk for the Consolidated Group primarily arises from:

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

These risk exposures related to the primary 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 and financial liabilities, is as follows:

	Floating Interest	Fixed Interest maturing 1 yr	Fixed Interest maturing 2-5 yrs	Weighted Average Interest Rate	Non-Interest bearing	TOTAL
<b>2010</b>						
<u>Financial asset</u>						
Cash assets	406,853	-	-	1.34%	-	406,853
Receivables	-	-	-		1,037,350	1,037,350
<b>TOTAL</b>	<b>406,853</b>	<b>-</b>	<b>-</b>		<b>1,037,350</b>	<b>1,444,203</b>
<u>Financial liability</u>						
Payables	-	-	-		979,067	979,067
Secured convertible notes	1,450,000	-	-	8.00%	-	1,450,000
Bank overdraft	776,697	-	-	10.17%	-	776,697
Sec'd advances under contract	-	-	-		1,420,994	1,420,994
Unsecured other loans	-	-	300,000	15.00%	13,014	313,014
<b>TOTAL</b>	<b>2,226,697</b>	<b>-</b>	<b>300,000</b>		<b>2,413,075</b>	<b>4,939,772</b>
<b>2009</b>						
<u>Financial asset</u>						
Cash assets	233,686	-	-	1.83%	-	233,686
Receivables	-	-	-		850,580	850,580
<b>TOTAL</b>	<b>233,686</b>	<b>-</b>	<b>-</b>		<b>850,580</b>	<b>1,084,266</b>
<u>Financial liability</u>						
Payables	-	-	-		804,024	804,024
Secured convertible notes	1,450,000	-	-	8.00%	-	1,450,000
Bank Overdraft	492,162	-	-	9.45%	-	492,162
Unsecured other loans	-	-	300,000	15.00%	22,337	322,337
<b>TOTAL</b>	<b>1,942,162</b>	<b>-</b>	<b>300,000</b>		<b>826,361</b>	<b>3,068,523</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

14 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 certain receivable, payable and loan transactions in foreign currency, primarily in US Dollars. The group's foreign currency exchange risk arises from the holding of foreign currency deposits, loans and transactions in normal trading operations resulting in both trade receivables and loans being held at balance date.

Due to the offsetting nature of foreign currency revenue, transactions and loan repayments, the Consolidated Group's foreign currency risks are not considered material and therefore no 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
- monitors forecast cash flows and endeavours to ensure that adequate borrowing facilities are maintained.

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

	< 1 Year	1 - 5 Years	Total contractual cash flows	Carrying amount
2010				
<u>Asset class</u>				
Cash and cash equivalents	406,853	-	406,853	406,853
Receivables	957,194	80,156	1,037,350	1,037,350
Payables	(979,067)	-	(979,067)	(979,067)
Other financial liabilities	(2,210,705)	(1,750,000)	(3,960,705)	(3,960,705)
Net maturities	<u>(1,825,725)</u>	<u>(1,669,844)</u>	<u>(3,495,569)</u>	<u>(3,495,569)</u>
2009				
<u>Asset class</u>				
Cash and cash equivalents	233,686	-	233,686	233,686
Receivables	803,049	47,531	850,580	850,580
Payables	(804,024)	-	(804,024)	(804,024)
Other financial liabilities	(514,499)	(1,750,000)	(2,264,499)	(2,264,499)
Net maturities	<u>(281,788)</u>	<u>(1,702,469)</u>	<u>(1,984,257)</u>	<u>(1,984,257)</u>

(e) Net fair values of financial assets and liabilities

Net fair values at balance date of each class of financial asset and liability do not materially differ from the carrying amounts disclosed in the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

15 Commitments and contingencies

Operating lease commitments

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Not later than one year	133,176	3,264	133,176	3,264
Later than one year but not later than five years	520,902	1,632	520,902	1,632
Later than five years	-	-	-	-
	<u>654,078</u>	<u>4,896</u>	<u>654,078</u>	<u>4,896</u>

During the year the parent entity entered into a non-cancellable commercial lease over minor office equipment with a 4 year term. The previous lease over office equipment which had 1 year remaining was rolled into the current lease at no cost.

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

	Consolidated		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Capital expenditure commitments</b>				
<u>Capital expenditure projects</u>				
Not longer than 1 year	235,400	-	235,400	-
Longer than 1 year and not longer than 5 years	-	-	-	-
Longer than 5 years	-	-	-	-
	<u>235,400</u>	<u>-</u>	<u>235,400</u>	<u>-</u>

Superannuation commitments

World Reach Ltd makes superannuation contributions to prescribed superannuation funds on behalf of employees and executive directors, as required by the Superannuation Guarantee legislation. The principal types of benefits are death, permanent disability and superannuation benefits upon retirement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
<b>16 NOTES TO THE STATEMENTS OF CASH FLOWS</b>		
<b>(a) Reconciliation of profit / (loss) after income tax benefit to net cash inflow from operating activities</b>		
Profit / (Loss) after tax	(369,069)	634,280
<i>Non Cash flows in profit / (loss):</i>		
Depreciation	107,339	99,125
Profit on sale of Network Services division	-	(131,754)
Net loss on disposal of plant and equipment	-	10,620
Unrealised foreign currency net losses	83,670	-
Movement in provision for stock obsolescence	(42,000)	102,000
Movement in provision for bad and doubtful debts	(22,000)	(123,445)
Movement in provision for warranty costs	(80,000)	(20,000)
Share options expensed	37,451	68,190
<i>Changes in assets and liabilities:</i>		
Increase / (decrease) in provisions	(84,717)	(72,251)
Increase / (decrease) in trade and other payables	145,267	(1,367,029)
(Increase) / decrease in trade and other receivables	(114,099)	233,353
(Increase) / decrease in inventory	(54,341)	(138,220)
<b>Net cash from operating activities</b>	<b>(392,499)</b>	<b>(705,131)</b>
<b>(b) Reconciliation of cash</b>		
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 5)	406,853	233,686
Bank overdraft (Note 11)	(776,697)	(492,162)
	<u>(369,844)</u>	<u>(258,476)</u>
<b>(c) Non cash financing and investing activities</b>		
Non cash financing and investing activities undertaken by the Consolidated Group during the year are disclosed in Note 18.		
<b>(d) Facilities</b>		
The Consolidated Group has had in place an overdraft facility with National Australia Bank with a limit of \$1,000,000.		
Bank guarantee facilities of the Consolidated Group total \$92,000 of which \$50,000 has been allocated to a subsidiary company and \$42,000 to the parent. The \$50,000 allocated to the subsidiary company was unused at 30 June 2010.		
The Consolidated Group did not meet all of the covenants required under its banking facility arrangements during the year. However subsequent to 30 June 2010 the Consolidated Group has negotiated the continuation of arrangements for the provision of overdraft facilities of \$1,000,000 and leasing and guarantee facilities of \$92,000 with the Consolidated Group's bankers, subject to the company lodging a deposit with the bank of \$500,000 by 31 August 2010.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

17 Key management personnel disclosures

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration for each key management person of the Consolidated Group.

(a) Compensation by category

	2010	2009
	\$	\$
Short-term employee benefits	511,632	600,849
Post-employee benefits	40,257	40,257
Other long-term benefits	16,582	12,227
Termination benefits	-	-
Share-based payments	14,170	43,548
	<u>582,641</u>	<u>696,881</u>

(b) Option holdings

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

2010	Balance 1.07.09	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.10	Total Vested 30.06.10	Exer- cisable 30.06.10	Unexer- cisable 30.06.10
<b>Directors</b>									
A Bigum	8,437,500	-	-	-	-	8,437,500	8,437,500	8,437,500	-
M Capocchi	45,687,500	-	-	-	(2,750,000)	42,937,500	41,937,500	41,937,500	1,000,000
J McCormack	2,812,500	-	-	-	-	2,812,500	2,812,500	2,812,500	-
<b>Other</b>									
D Payne	5,906,250	2,750,000	-	-	(2,250,000)	6,406,250	6,406,250	6,406,250	-
<b>Total</b>	<u>62,843,750</u>	<u>2,750,000</u>	<u>-</u>	<u>-</u>	<u>(5,000,000)</u>	<u>60,593,750</u>	<u>59,593,750</u>	<u>59,593,750</u>	<u>1,000,000</u>

2009	Balance 1.07.08	Granted as Rem- uneration	Issued as Equity Investment	Options Exercised	Options Lapsed	Balance 30.06.09	Total Vested 30.06.09	Exer- cisable 30.06.09	Unexer- cisable 30.06.09
<b>Directors</b>									
A Bigum *	1,312,500	-	7,125,000	-	-	8,437,500	8,437,500	8,437,500	-
M Capocchi	33,218,750	-	12,468,750	-	-	45,687,500	39,062,500	39,062,500	6,625,000
J McCormack	1,312,500	-	1,500,000	-	-	2,812,500	2,812,500	2,812,500	-
<b>Other</b>									
D Payne	2,906,250	1,500,000	1,500,000	-	-	5,906,250	5,093,750	5,093,750	812,500
<b>Total</b>	<u>38,750,000</u>	<u>1,500,000</u>	<u>22,593,750</u>	<u>-</u>	<u>-</u>	<u>62,843,750</u>	<u>55,406,250</u>	<u>55,406,250</u>	<u>7,437,500</u>

\* The option holding of Mr A P Bigum at 30.06.09 was incorrectly shown as 7,781,250 in the 2009 Annual Report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

17 Key management personnel disclosures (continued)

(c) Share holdings

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

2010	Balance 1.07.09	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.10
<b>Directors</b>					
Mr A P Bigum	12,866,000	-	-	-	12,866,000
Mr M Capocchi	-	-	-	-	-
Mr J G McCormack	4,277,778	-	-	3,045,521	7,323,299
<b>Other</b>					
Mr D Payne	8,369,778	-	-	1,653,915	10,023,693
	<u>25,513,556</u>	<u>-</u>	<u>-</u>	<u>4,699,436</u>	<u>30,212,992</u>
<b>2009</b>					
2009	Balance 1.07.08	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.06.09
<b>Directors</b>					
Mr A P Bigum	12,866,000	-	-	-	12,866,000
Mr M Capocchi	-	-	-	-	-
Mr J G McCormack	1,500,000	-	-	2,777,778	4,277,778
<b>Other</b>					
Mr D Payne	100,000	-	-	8,269,778	8,369,778
	<u>14,466,000</u>	<u>-</u>	<u>-</u>	<u>11,047,556</u>	<u>25,513,556</u>

\*Net Change Other refers to shares purchased or sold on-market or off-market at current market prices during the financial year, or in 2009 purchased through the Company's Share Purchase Plan.

(d) Convertible notes

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

2010	Balance 1.07.09	Notes issued		Notes Cancelled	Balance 30.06.10	
		No.	Total Face Value \$		No.	Total Face Value \$
<b>Directors</b>						
Mr A P Bigum	6	-	-	-	6	150,000
Mr M Capocchi	14	-	-	-	14	350,000
Mr J G McCormack	2	-	-	-	2	50,000
<b>Other</b>						
Mr D Payne	2	-	-	-	2	50,000
	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>600,000</u>
<b>2009</b>						
2009	Balance 1.07.08	Notes issued		Notes Cancelled	Balance 30.06.09	
		No.	Total Face Value \$		No.	Total Face Value \$
<b>Directors</b>						
Mr A P Bigum	2	10	250,000	6	6	150,000
Mr M Capocchi	11	17	425,000	14	14	350,000
Mr J G McCormack	2	2	50,000	2	2	50,000
<b>Other</b>						
Mr D Payne	1	2	50,000	1	2	50,000
	<u>16</u>	<u>31</u>	<u>775,000</u>	<u>23</u>	<u>24</u>	<u>600,000</u>

Refer Note 11 for details of the Convertible Note Agreement.

(e) Loans and transactions

There were no loans to or transactions with key management personnel or their personally related parties other than described in this Note for the year ended 30 June 2010.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**18 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 2010:

- (i) 1,250,000 options were granted on 17 May 2004 to key employees with an expiry date of 31 December 2009 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 1 July 2004, 2005 and 2006, and were exercisable at \$0.02 per share (Issue WRR29).

500,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 750,000 of these options expired.

None of these options are outstanding as at 30 June 2010.

- (ii) 1,712,500 options were granted on 1 July 2004 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 July 2009 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 25% tranches on 1 July 2004, 2005, 2006 and 2007, and were exercisable at \$0.035 per share (Issue WRR25).

1,562,500 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 150,000 of these options expired.

None of these options are outstanding as at 30 June 2010.

- (iii) 4,000,000 options were granted on 19 August 2004 to key employees with an expiry date of 31 December 2009 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 31 December 2004, 2005 and 2006 and were exercisable at \$0.05 per share (Issue WRR26).

1,333,333 of these options were exercised and 666,667 lapsed prior to 30 June 2009.

During the financial year ended 30 June 2010, 2,000,000 of these options expired.

None of these options are outstanding as at 30 June 2010.

- (iv) 1,850,000 options were granted on 10 March 2006 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 July 2011 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 December 2005, 2006, 2007 and 2008, and were exercisable at \$0.025 per share (Issue WRR30).

Due to late grant date, vesting of 25% on 1 December 2005 was effective upon grant date and expiry date was deferred until 1 July 2011.

850,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 500,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

500,000 of these options are outstanding as at 30 June 2010.

- (v) 1,000,000 options were granted on 10 March 2006 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 July 2011 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 25% tranches on 1 June 2006, 2007, 2008 and 2009, and were exercisable at \$0.02 per share (Issue WRR31a).

450,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 300,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

250,000 of these options are outstanding as at 30 June 2010.

- (vi) 5,000,000 options were granted on 20 April 2006 to key employees with an expiry date of 1 July 2011 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 1 July 2006, 2007 and 2008, and were exercisable at \$0.02 per share (Issue WRR31c).

4,000,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 1,000,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

None of these options are outstanding as at 30 June 2010.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

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**18 Share based payments (continued)**

The following share based payment arrangements existed at 30 June 2010 (continued):

- (vii) 1,000,000 options were granted on 8 August 2006 to a key employee with an expiry date of 21 August 2011 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vested in 33.33% tranches on 1 April 2007, 2008 and 2009, and were exercisable at \$0.04 per share (Issue WRR32).

During the financial year ended 30 June 2010, 1,000,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

None of these options are outstanding as at 30 June 2010.

- (viii) 3,300,000 options were granted on 29 October 2006 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 29 October 2011 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 November 2007, 2008, 2009 and 2010, and are exercisable at \$0.025 per share (Issue WRR33).

1,290,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 1,010,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

1,000,000 of these options are outstanding as at 30 June 2010.

- (ix) 10,000,000 options were granted on 20 September 2007 to the Acting Chief Executive Officer (appointed Managing Director on 20/03/08) as set out under a contract of employment dated 5 September 2007. These options are exercisable from 30 September 2007 at \$0.02 per share, expiring 30 September 2012 (Issue WRR34).

10,000,000 of these options are outstanding as at 30 June 2010.

- (x) 5,000,000 options were granted on 20 September 2007 to the Acting Chief Executive Officer (appointed Managing Director on 20/03/2008) as set out under a contract of employment dated 5 September 2007. These options are exercisable from 30 September 2008 at \$0.025 per share, expiring 30 September 2012 (Issue WRR35).

5,000,000 of these options are outstanding as at 30 June 2010.

- (xi) 5,000,000 options were granted on 20 September 2007 to the Acting Chief Executive Officer (appointed Managing Director on 20/03/2008) as set out under a contract of employment dated 5 September 2007. These options are exercisable from 30 September 2009 at \$0.03 per share, expiring 30 September 2012 (Issue WRR36).

5,000,000 of these options are outstanding as at 30 June 2010.

- (xii) 6,300,000 options were granted on 2 May 2008 to key employees with an expiry date of 28 February 2009 (refer 18(b)) or 1 May 2013 on terms and conditions set out in the Company's Share Option Incentive Plan. These options vest in 25% tranches on 1 May 2009, 2010, 2011 and 2012, and are exercisable at \$0.025 per share (Issue WRR37).

1,400,000 of these options lapsed in the periods prior to 30 June 2009.

During the financial year ended 30 June 2010, 3,400,000 of these options were cancelled as the exercise price no longer provided incentive or retention value for employees.

1,500,000 of these options are outstanding as at 30 June 2010.

- (xiii) 7,800,000 options were granted on 23 December 2008 to key employees with an expiry date of 31 December 2013 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 23 December 2008 at \$0.0065 per share (Issue WRR44).

7,800,000 of these options are outstanding as at 30 June 2010.

- (xiv) 12,450,000 options were granted on 30 September 2009 to key employees with an expiry date of 30 September 2014 on the terms and conditions set out in the Company's Share Option Incentive Plan. These options were exercisable from 30 September 2009 at \$0.0065 per share (Issue WRR46).

12,450,000 of these options are outstanding as at 30 June 2010.

- (b) The Consolidated Group sold its Network Services division on 11 March 2008 as detailed in Note 4. All staff employed by the Consolidated Group in this division were transferred to the purchaser. Under the employee transfer agreement, the expiry date of options previously issued to these employees was extended to 28 February 2009. All of these options subsequently lapsed on 28 February 2009 as noted in (ii), (iv), (v), (viii) and (xii) above.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2010**

**18 Share based payments (continued)**

- (c) 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:

	2010		2009	
	No.	WAEP \$	No.	WAEP \$
Outstanding at the beginning of the financial year	41,160,000	0.022	37,550,000	0.026
Granted during the financial year	12,450,000	0.007	7,800,000	0.007
Lapsed during the financial year	-	-	(4,190,000)	0.026
Cancelled during the financial year	(7,210,000)	0.026	-	-
Exercised during the financial year	-	-	-	-
Expired during the financial year	(2,900,000)	0.042	-	-
Outstanding at the end of the financial year	<u>43,500,000</u>	<u>0.016</u>	<u>41,160,000</u>	<u>0.022</u>
Exercisable at the end of the financial year	42,500,000	0.012	31,480,000	0.021

**Notes to Share Based Payments**

- (i) The weighted average remaining contractual life for the share options outstanding as at 30 June 2010 is 3.02 years (2009: 3.21 years)
- The range of exercise prices for options outstanding at the end of the year was \$0.0065 - \$0.0300 (2009: \$0.0065 - \$0.0500)
- The weighted average fair value of options granted during the year was \$0.0024 (2009: \$0.0021)
- 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 Black Scholes option valuation method taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the Black-Scholes model used for the valuation of options issued for year ended 30 June 2010.

	Notes	
Grant date		30/09/2009
No. of options granted		12,450,000
Weighted average share price at grant date (\$)		0.0053
Option exercise price (\$)		0.0065
Expected volatility (%)	18c(ii)	80
Expected life of option (years)		3.66
Dividend yield (%)	18c(iii)	-
Risk-free interest rate (%)		5.20

- (ii) The expected volatility of the share price representing a measure of uncertainty of return was evaluated using the data generated by The Australian Graduate School of Management Centre for Research based upon historical volatility and consideration of future volatility factors.
- (iii) The Company does not have a history of paying dividends and the valuation of options issued is based on the assumption that no dividends will be paid during the currency of the options.
- (iv) Included under employee benefits expense in the Statement of Comprehensive Income is \$37,451 (2009: \$68,190), and relates, in full, to equity-settled share options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

	<u>2010</u>	<u>2009</u>
	\$	\$
<b>19 Related party transactions</b>		
Secretarial fees paid to McCormack & Partners Advisory Pty Ltd, a company related to Mr J G McCormack, a director of the Company.	<u>6,252</u>	<u>25,006</u>
There were no other related party transactions during the year ended 30 June 2010.		
<b>20 Remuneration for auditors</b>		
Remuneration of the Auditor of the Consolidated Group for auditing or reviewing financial reports	<u>57,342</u>	<u>67,324</u>
<b>21 Earnings per share</b>		
	<b>cents</b>	<b>cents</b>
<b>Overall operations</b>		
Basic earnings per share	(0.06)	0.10
Diluted earnings per share	(0.06)	0.06
<b>Continuing operations</b>		
Basic earnings per share	(0.07)	0.05
Diluted earnings per share	(0.07)	0.03
<b>Discontinued operations</b>		
Basic earnings per share	<u>0.01</u>	<u>0.05</u>
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used in the calculation of Basic Earnings Per Share	657,906,777	628,442,754
Potential Ordinary Shares attributable to options outstanding at year end	134,906,250	132,566,250
Potential Ordinary Shares attributable to convertible notes outstanding at year end	<u>322,222,222</u>	<u>322,222,222</u>
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of Dilutive Earnings per share	<u>1,115,035,249</u>	<u>1,083,231,226</u>
	<b>\$</b>	<b>\$</b>
<b>Overall operations</b>		
Earnings used in the calculation of Basic and Diluted Earnings Per Share	(369,069)	634,280
<b>Continuing operations</b>		
Earnings from continuing operations used in the calculation of Basic and Diluted Earnings Per Share	(451,069)	341,005
<b>Discontinued operations</b>		
Earnings from discontinued operations used in the calculation of Basic Earnings Per Share	82,000	293,275

**Dilutive Earnings Per Share**

Due to losses incurred during the 2010 financial year all Potential Ordinary Shares that could potentially dilute basic earnings per share in the future were considered to be antidilutive and therefore not included in a calculation of diluted earnings per share. Accordingly basic and diluted earnings per share equate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

22 Segment reporting

(a) Sole operating segment

The Consolidated Group has identified its sole operating segment based upon internal reports that are reviewed and used by the Directors in assessing performance and determining the allocation of resources in respect of its satellite communications products and services.

Revenue and results are fully disclosed in the Consolidated Statement of Comprehensive Income for the sole operating segment.

The Consolidated Statement of Financial Position discloses the sole operating segment assets and liabilities which are held within Australia.

(b) Revenue by geographical region

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

Sales by country	2010		2009	
	\$	%	\$	%
Australia	4,108,290	52.60%	3,719,223	40.77%
United States of America	1,159,703	14.85%	2,311,611	25.34%
Japan	919,437	11.77%	1,171,770	12.85%
Other foreign countries	1,622,295	20.77%	1,918,852	21.04%
	<u>7,809,725</u>	<u>100.00%</u>	<u>9,121,456</u>	<u>100.00%</u>

(c) Major customers

The Consolidated Group has a number of customers to whom it provides both products and services. The Consolidated Group supplies a single customer in Australia accounting for 32% of external revenue (2009: 22%), and in Japan 12% (2009: USA 7%) of external revenue. The next most significant customer accounts for 6% of external revenue.

23 Events after reporting date

Director share options

On 4 August 2010 the Company announced its proposal to grant Directors 18,000,000 options to subscribe for shares, exercisable at \$0.0125. These options would be exercisable by 31 December 2015 and are subject to shareholder approval at the next Annual General Meeting of the company.

24 Parent company disclosures

(a) Statement of Comprehensive Income

	2010	2009
	\$	\$
Profit / (Loss) from continuing operations	(338,449)	(356,414)
Profit from discontinuing operations including profit on sale of discontinuing operations	<u>82,000</u>	<u>293,275</u>
<b>Profit / (Loss) for the year attributable to owners of the Company</b>	<b>(256,449)</b>	<b>(63,139)</b>
Other comprehensive income	-	-
<b>Total comprehensive income for the year attributable to owners of the Company</b>	<b><u>(256,449)</u></b>	<b><u>(63,139)</u></b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2010

24 Parent company disclosures (continued)

(b) Statement of Financial Position

<b>Assets</b>		
Current assets	311,942	212,469
Non-current assets	297,743	100,616
Total assets	<u>609,685</u>	<u>313,085</u>
<b>Liabilities</b>		
Current liabilities	3,033,473	2,509,068
Non-current liabilities	1,787,131	1,795,938
Total liabilities	<u>4,820,604</u>	<u>4,305,006</u>
Net assets / (deficiency of net assets)	<u>(4,210,919)</u>	<u>(3,991,921)</u>
<b>Equity</b>		
Issued capital	19,869,935	19,869,935
Reserves	299,174	395,938
Accumulated losses	(24,380,027)	(24,257,793)
Total equity	<u>(4,210,919)</u>	<u>(3,991,921)</u>

(c) Guarantees

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

(d) Contingent liabilities

Refer to Note 15 for details of contingent liabilities of the parent company.

(e) Contractual commitments

Refer to Note 15 for details of contractual commitments of the parent company for the acquisition of property, plant and equipment.

25 Controlled entities

	Incorporated	Share class	Holding	
Investments in unquoted corporations being controlled entities:			2010	2009
Beam Communications Pty Ltd	Australia	Ordinary	100%	100%
Telenet Rentals Pty Ltd	Australia	Ordinary	100%	100%
World Reach Communications Pty Ltd (Dormant)	Australia	Ordinary	100%	100%
Pacarc (PNG) Limited (Dormant)	Papua New Guinea	Ordinary	100%	100%

26 Company details and principal place of business

World Reach Limited is a limited company incorporated in Australia.

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

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

5 / 8 Anzed Court  
 Mulgrave Victoria 3170  
 Australia