



Beam Communications Holdings Limited
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25 February 2021

The Manager
Market Announcements Platform
Australian Securities Exchange

Appendix 4D Half Year Report and Financial Report

The Company, Beam Communications Holdings Limited, encloses its Appendix 4D (Half Year Report) and Half Year Financial Report for the six months ended 31 December 2020, including audited Financial Statements, Notes to the accounts, Directors Report and Auditors Review Report, for immediate release.

Yours faithfully

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

Dennis Payne
Company Secretary

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Beam Communications Holdings Limited
ABN 39 010 568 804

Appendix 4D
Half Year Report
Half Year ended 31 December 2020

The information contained in this Appendix 4D should be read in conjunction with the most recent Annual Report covering the financial year ending 30 June 2020.

1. Reporting periods

| | |
|--------------------------------|---|
| Current reporting period | Half year ended 31 December 2020 |
| Previous corresponding periods | Half year ended 31 December 2019 Financial year ended 30 June 2020 |

2. Results for announcement to the market

| | | \$A | |
|-----|---|---|-----------------------------|
| 2.1 | Total revenue | Up 25.8% | to \$ 8,953,723 |
| 2.2 | Profit from ordinary activities after tax attributable to members | Profit up by \$23,422 from \$ 160,538 to \$ 183,960 | |
| 2.3 | Net profit for the period attributable to members | Profit up by \$23,422 from \$ 160,538 to \$ 183,960 | |
| 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

Beam's results were achieved in the face of a severe global recession that was triggered by the COVID-19 pandemic. While the fallout from the crisis touched every part of the Group's business, Beam improved its first-half net profit after tax to \$183,960 and total revenue increased by 25.8% compared to the prior corresponding period.

Demand for the newly launched Beam designed and manufactured ZOLEO device is one of the key drivers for the strengthening performance in sales, however the revenue reporting does not include the revenues generated by the subscribers base of ZOLEO Inc, being that of the ZOLEO recurring Monthly Fees and Activation charges. At this stage these are recognised at the Joint Venture (JV) level and the net gain or loss contribution from the JV is included in the Beam accounts as "Share of Loss in Interest in JV".

Another contributor to Beam's strong first-half performance was the ongoing repeat orders for Iridium GO! from its long-standing partner, Iridium Communications Inc (NASDAQ: IRDM). Beam received its eighth order for the portable satellite hotspot device from Iridium at the end of September last year, which will take the total number of the Beam-developed device to 50,000 built and shipped units.

Beam's wholly-owned subsidiary, SatPhone Shop, also performed resiliently through the COVID crisis with sales decreasing modestly by 4.4% to \$653,000 in 1HFY2021 compared to the same period in the previous year. Strong cost control, a temporary 20% wage reduction for all employees during the height of the COVID-19 crisis and a significantly smaller loss than anticipated from the ZOLEO JV entity also helped lift Group profits during the period.

A major cost item was project amortisation of \$405,226 which was related to the accumulated development costs of ZOLEO with the Australian Government R&D grants take up worth \$35,903 related to grants received to 31 December, partially offsetting development expenses.

Income tax expense comprised current year tax of \$2,633 incurred by the Group's USA subsidiary which is unable to be claimed against Australian tax losses and deferred tax expense of \$186,268. The deferred tax expense reflects the decrease in the deferred tax net assets driven particularly by the tax treatment of intangible assets and capitalised development costs.

3. Net Tangible Assets per security

| | 31 December 2020 Cents per share | 30 June 2020 Cents per share |
|----------------------------------|-------------------------------------|---------------------------------|
| Net tangible assets per security | 9.0364 | 4.1747 |

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

4.1 Name of the entity.

| |
|-----|
| N/A |
|-----|

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4.2 The date of the gain or loss of control.

N/A

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

| Current period | Previous corresponding period |
|----------------|-------------------------------|
| N/A | N/A |

5. Individual and Total Dividend or Distribution Payments

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

6. Dividend or Distribution Reinvestment Plans

N/A

7. Details of associates and joint venture

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

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8. Foreign entity accounting standards

N/A

9. Independent review of the financial report

The financial report for the half-year ended 31 December 2020 has been reviewed and will not be qualified or include any emphasis of matter.

Signed by Chairman:



Name: Mr Simon Wallace
Date: 25 February 2021

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Beam Communications Holdings Limited

ABN 39 010 568 804

Half-year financial report
for the half-year ended 31 December 2020

**BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804**

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2020**

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Directors' Report | 2 |
| Auditor's Independence Declaration | 6 |
| Financial Report for the half-year ended 31 December 2020 | |
| Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income | 7 |
| Condensed Consolidated Statement of Financial Position | 8 |
| Condensed Consolidated Statement of Changes in Equity | 9 |
| Condensed Consolidated Statement of Cash Flows | 10 |
| Notes to the Condensed Consolidated Financial Statements | 11 |
| Directors' Declaration | 16 |
| Independent Auditor's Review Report | 17 |

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DIRECTORS' REPORT

The Directors of Beam Communications Holdings Limited submit herewith the Consolidated Financial Report of Beam Communications Holdings Limited and controlled entities ('Group') for the half-year ended 31 December 2020. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

Directors:

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

Non-Executive Directors:

Carl Cheung Hung (Retired 30 November 2020)
David Paul James Stewart
Simon Lister Wallace

Managing Director:

Michael Ian Capocchi

Review of Operations

The consolidated Group financial results for the half-year ended 31 December 2020 and comparative results for the half-year ended 31 December 2019 are as follows:

| | 1 July 2020 to 31 Dec 2020 \$ | 1 July 2019 to 31 Dec 2019 \$ |
|---|-------------------------------------|-------------------------------------|
| Revenue | 8,953,723 | 7,116,032 |
| Operating expenses | <u>(8,472,954)</u> | <u>(6,720,926)</u> |
| Operating profit/(loss) before interest and tax | 480,769 | 395,106 |
| Interest | (107,908) | (139,058) |
| Income tax expense | <u>(188,901)</u> | <u>(95,510)</u> |
| Profit/(loss) for the period | <u>183,960</u> | <u>160,538</u> |
| | At 31 Dec 2020 \$ | At 31 Dec 2019 \$ |
| Financial position / total equity | 11,369,546 | 7,800,243 |
| Cash and cash equivalents | 4,433,375 | 1,588,249 |

Performance and Profit

The principal activity of the Group during the half-year ended 31 December 2020 continued to be the design, manufacture and global distribution of innovative satellite solutions, such as communication devices and terminals, docking units and handheld phone accessories.

Beam's pleasing results were achieved in the face of a severe global recession that was triggered by the COVID-19 pandemic. While the fallout from the crisis touched every part of the Group's business, Beam improved its first-half net profit after tax by 14.6% to \$183,960 compared to 1HFY2019, as total revenue increased by 25.8% to \$8.95m compared to the prior corresponding period.

Demand for the newly launched Beam designed and manufactured ZOLEO device is one of the key drivers for the strengthening performance in sales, however, the reported figure does not include the revenues generated by the subscriber-base of ZOLEO Inc, being that of the ZOLEO recurring Monthly Fees and Activation charges. At this stage, these are recognised at the Joint Venture (JV) level and the net gain or loss contribution from the JV is included in the Beam accounts as "Share of Loss in Interest in JV".

Growing industry recognition and effusive, reputable reviews of the unique seamless global messaging solution have seen improved and improving demand for ZOLEO, which won its fourth major industry award when it was selected out of 189 entrants in January 2021 to be the "Product of the Year" by North America's largest tradeshow organiser for the outdoor industry, Outdoor Retailer. The other awards that ZOLEO has received within the short time it has been in the

market include the ABA100 (Australian Business Awards 2020) for New Product Innovation, Communications Alliance ACOMM 2020 award in the Innovation (SME) category and the Mobile Satellite Users Association (MSUA) "Top Mobility User Experience Innovation" Award for 2020.

Major retailers in North America and Australia have signed up to sell ZOLEO, including Bass Pro Shops/Cabela's, MEC, London Drugs and Anaconda Group. Beam also has retail partnerships with leading online retailers Kogan.com Ltd and Wesfarmers Ltd's Catch.com.au, on top of Amazon.com and eBay.

Another contributor to Beam's strong first-half performance was the ongoing repeat orders for Iridium GO! from its long-standing partner, Iridium Communications Inc (NASDAQ: IRDM). Beam received its eighth order for the portable satellite hotspot device from Iridium at the end of September last year, which will take the total number of the Beam-developed device to 50,000 built and shipped units.

Beam's wholly-owned subsidiary, SatPhone Shop, also performed resiliently through the COVID crisis with sales decreasing modestly by 4.4% to \$653,000 in 1HFY2021 compared to the same period in the previous year. SatPhone Shop is Telstra's largest satellite equipment dealer.

Strong cost control, a temporary 20% wage reduction for all employees during the height of the COVID-19 crisis and a significantly smaller loss than anticipated from the ZOLEO JV entity also helped lift Group profits during the period.

Project amortisation of \$405,226 related to the accumulated development costs of ZOLEO with the Australian Government R&D grants take up worth \$35,903 related to grants received to 31 December, partially offsetting development expenses.

Income tax expense comprises current year tax of \$2,633 incurred by the Group's USA subsidiary, which is unable to be claimed against Australian tax losses, and deferred tax expense of \$186,268. The deferred tax expense reflects the decrease in the deferred tax net assets driven particularly by the tax treatment of intangible assets and capitalised development costs. 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.

Outlook and Projects

The global pandemic has made forecasting particularly challenging, but there are several reasons why Beam is optimistic about the near- and long-term outlook for the Group. Social distancing and limited international travel have led to a marked increase in people exploring the great outdoors and this trend is expected to support demand for Beam's innovative solutions.

The disruption caused by COVID has also done little to impact on Beam's diversified supply chains and management is confident that Beam can continue to meet domestic and international orders through its manufacturing partnerships in China and Malaysia.

Meanwhile, the strong growth momentum from ZOLEO is expected to continue to accelerate and additional major retailers in North America and Australia are anticipated to start selling the multi-award-winning device. The ZOLEO JV is advancing plans to expand ZOLEO's distribution into other key strategic global markets in FY2022, given the device's international uses and appeal.

New orders for Iridium GO! are also expected before the end of FY2021 as the Beam supplied device continues to be a strongly supported product in Iridium's portfolio. Orders for Iridium GO! have averaged around 7,000 units per annum over the past few years and trends indicate a rise in those figures is likely, given further shifts to an increase in outdoor activities. The Iridium GO! will continue to be of strategic importance to Iridium as it is complimentary to the new Iridium Certus® terminals being developed.

While ZOLEO and Iridium GO! provide the largest single product contributions to Group revenue, Beam anticipates organic growth in the other parts of its business – namely SatPhone Shop and its Beam-branded Inmarsat and Iridium terminals and accessories, as trading has recovered well from the COVID interruptions and anxiety, with good growth already experienced in the second half of FY2021 to date.

Another future growth driver for Beam is the launch of the next-generation of Iridium satellite devices with data speeds that are more than 35 times faster than the current generation of devices, including Iridium GO!. Beam was chosen as one of a select few strategic global partners as a beta partner, which gives Beam a head start in launching new products using the upgraded Iridium Certus® transceiver.

Cash and Funding

At 31 December 2020, the Group's cash holding was \$4.4 million compared with \$1.6 million in the previous corresponding period. Beam completed a \$5.3 million placement to institutional and sophisticated investors with demand for the capital raising heavily exceeding expectations.

Beam also recorded a positive operating cashflow for the first half of \$389,352, which does not include recurring subscription revenue from ZOLEO. The Group has remained cashflow positive in the past five quarters.

The proceeds from the capital raise will be used to fund the global ramp-up of ZOLEO, repay and close high-interest loan facilities, develop new Iridium Certus® devices, support the appointment of new national retailers in Australia and focus on some direct opportunities for the use of satellite-reliant devices and technology in disaster relief and emergency management.

The only outstanding debts that remains on Beam's balance sheet at the balance date was the US\$600,000 interest-free loan provided by its JV partner, Roadpost Inc., which can be repaid at any time and at the sole discretion of Beam, and a low-interest loan by the National Australia Bank that is provided as part of the Government's COVID-19 relief program. Beam also has access to approximately \$720,000 in unused overdraft facilities with NAB.

On 29 June 2019, \$832,000 was received from the Australian Government R&D fund, which encourages Australian investment in research and development. That amount related to Beam's R&D expenditure in FY2018 on three projects. The R&D grants are only brought to profit after receipt and on a monthly straight-line basis matching the amortisation of the related development project over the relevant product's useful life once sales commence. The grant of \$689,000 for expenditure on two projects in FY2019 was delayed and only received in January 2021. The next application to the R&D fund, relating to expenditure in FY2020, will be made with the Group's income tax return during 2021.

Directors and Investors

David Stewart was re-elected as a Director by shareholders at the Annual General Meeting on 30 November 2020. David joined the board in November 2017 and has acted as advisor to senior management in the rationalisation of development expenditure and provides hands-on assistance in the selection of trading partners. David is Beam's major shareholder, holding 14.53% of the shares in the Company, reflecting his positive view of the Group's growth prospects in the communications sector.

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

Michael Capocchi is an Executive Director and holds the positions of Managing Director and Chief Executive Officer for all companies in the Group, including the USA subsidiary. He resides in Chicago, USA, which enables him to more easily visit US destinations, as well as the Middle East and UK/Europe where many of the Group's core clients are based. Under more normal non-COVID circumstances, Michael travels to Australia every four to six weeks and is in daily contact with management. Michael is also a significant shareholder in the Company.

Carl Hung retired from the board as of 30 November 2020 after serving nearly eight years on Beam's board. Carl is the President and CEO of Season Group, a major trading partner of Beam. Season will continue to be one of Beam's valued and trusted contract manufacturers. Carl is Managing Director of SGV1 Holdings Limited, a company associated with Season, which holds 7.21% of the shares in the Company.

There were 289 new shareholders to Beam after the capital raising, which was completed in two tranches in October and December 2020. Beam issued 21,272,000 new shares at an acceptance price of 25c as part of the capital raising, bringing the total shares on issue to 75,052,952. It is pleasing to note that the market share price has held fairly steady above the 25c mark since the capital raising.

Significant changes in the state of affairs

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

Auditor's Declaration of Independence

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

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



Simon Wallace
Chairman
Signed in Melbourne, 25 February 2021

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RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Beam Communications Holdings Limited for the half year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

RSM

RSM AUSTRALIA PARTNERS

M Parameswaran

M PARAMESWARAN
Partner

Dated: 25 February 2021
Melbourne, Victoria

BEAM COMMUNICATIONS HOLDINGS LIMITED
 ABN 39 010 568 804

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Note | Half-year ended | |
|--|------|------------------|------------------|
| | | 31-Dec-20 \$ | 31-Dec-19 \$ |
| Revenue | 11 | 8,953,723 | 7,116,032 |
| Changes in inventories of raw materials, finished goods and work in progress | | 1,050,314 | 777,192 |
| Raw materials, consumables and other costs of sale | | (6,974,758) | (4,262,706) |
| Employee benefits expense | | (1,259,115) | (1,353,231) |
| Amortisation expense | | (405,226) | (591,196) |
| Depreciation expense | | (102,183) | (105,842) |
| Finance costs expense | | (107,908) | (139,058) |
| Consultancy and contractor expense | | (161,648) | (256,905) |
| Legal and insurance expense | | (101,604) | (77,602) |
| Accounting, share registry and secretarial expenses | | (54,468) | (47,619) |
| Auditor remuneration expense | | (25,200) | (45,600) |
| Marketing and ICT expense | | (264,108) | (173,419) |
| Share of loss from interest in joint venture | | (90,084) | (216,439) |
| Other expenses | | <u>(84,874)</u> | <u>(367,560)</u> |
| Profit before income tax expense | | 372,861 | 256,048 |
| Income tax expense | 3 | <u>(188,901)</u> | <u>(95,510)</u> |
| Profit after income tax expense for the half-year | | 183,960 | 160,538 |
| Other comprehensive income | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the half-year | | <u>183,960</u> | <u>160,538</u> |
| Profit and total comprehensive income are both fully attributable to owners of the Company | | | |
| Overall operations | | | |
| Basic profit per share (cents) | 2 | 0.31 | 0.30 |
| Diluted profit per share (cents) | 2 | 0.31 | 0.30 |

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

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BEAM COMMUNICATIONS HOLDINGS LIMITED
 ABN 39 010 568 804

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
 AS AT 31 DECEMBER 2020

| | Note | 31-Dec-20 \$ | 30-Jun-20 \$ |
|--------------------------------------|------|-------------------|-------------------|
| Current assets | | | |
| Cash and cash equivalents | | 4,433,375 | 873,960 |
| Inventories | | 4,626,397 | 3,576,082 |
| Trade and other receivables | 4 | 2,023,910 | 2,337,993 |
| Total current assets | | <u>11,083,682</u> | <u>6,788,035</u> |
| Non-current assets | | | |
| Interest in joint venture | | 270,726 | 404,918 |
| Plant and equipment | | 78,750 | 93,811 |
| Right-of-use assets | 5 | 439,688 | 519,068 |
| Deferred tax assets | | 829,145 | 1,015,413 |
| Intangible assets | 6 | 4,587,461 | 3,803,161 |
| Total non-current assets | | <u>6,205,770</u> | <u>5,836,371</u> |
| Total assets | | <u>17,289,452</u> | <u>12,624,406</u> |
| Current liabilities | | | |
| Trade and other payables | 7 | 2,914,936 | 2,785,037 |
| Other financial liabilities | 8 | 200,000 | 971,392 |
| Lease liabilities | 5 | 193,674 | 182,930 |
| Provisions | | 1,144,371 | 1,294,111 |
| Total current liabilities | | <u>4,452,981</u> | <u>5,233,471</u> |
| Non-current liabilities | | | |
| Other financial liabilities | 8 | 997,267 | 818,737 |
| Lease liabilities | 5 | 417,765 | 514,606 |
| Provisions | | 51,893 | 47,120 |
| Total non-current liabilities | | <u>1,466,925</u> | <u>1,380,463</u> |
| Total liabilities | | <u>5,919,906</u> | <u>6,613,934</u> |
| Net assets | | <u>11,369,546</u> | <u>6,010,472</u> |
| Equity | | | |
| Issued capital | 9 | 12,736,255 | 7,646,641 |
| Reserves | | 85,500 | 320,394 |
| Accumulated losses | | (1,452,209) | (1,956,563) |
| Total equity | | <u>11,369,546</u> | <u>6,010,472</u> |

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

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BEAM COMMUNICATIONS HOLDINGS LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Issued capital \$ | Reserves \$ | Retained earnings \$ | Total equity \$ |
|--|----------------------|----------------|----------------------------|--------------------|
| Balance at 1 July 2019 | 7,646,641 | 411,189 | (418,125) | 7,639,705 |
| Profit for the period | - | - | 160,538 | 160,538 |
| Other comprehensive income for the year, net of income tax | - | - | - | - |
| Balance at 31 December 2019 | 7,646,641 | 411,189 | (257,587) | 7,800,243 |
| Balance at 1 July 2020 | 7,646,641 | 320,394 | (1,956,563) | 6,010,472 |
| Profit for the period | - | - | 183,960 | 183,960 |
| Other comprehensive income for the year, net of income tax | - | - | - | - |
| Transactions with owners in their capacity as owners | | | | |
| - Shares issued, net of transaction costs | 4,998,310 | - | - | 4,998,310 |
| - Adjustment for broker options issued | (85,500) | 85,500 | - | - |
| - Adjustment for employee share options lapsed | - | (320,394) | 320,394 | - |
| - Adjustment for employee share options exercised | 176,963 | - | - | 176,963 |
| - Adjustment for foreign currency translation | (159) | - | - | (159) |
| Balance at 31 December 2020 | 12,736,255 | 85,500 | (1,452,209) | 11,369,546 |

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

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BEAM COMMUNICATIONS HOLDINGS LIMITED
ABN 39 010 568 804

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | 31-Dec-20 | 31-Dec-19 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Cash flow from operating activities | | |
| Receipts from customers | 8,470,872 | 6,948,332 |
| Payments to suppliers and employees | (8,461,399) | (6,206,409) |
| Interest received | 209 | 98 |
| Interest and finance charges paid | (86,697) | (112,502) |
| Income tax paid | (2,633) | (88,837) |
| COVID-19 relief | 469,000 | - |
| Net cash provided by operating activities | <u>389,352</u> | <u>540,682</u> |
| Cash flow from investing activities | | |
| Development costs capitalised | (1,189,526) | (1,221,063) |
| Purchases of plant and equipment | (8,694) | (42,126) |
| Interest in joint venture | - | (364,214) |
| Net cash used in investing activities | <u>(1,198,220)</u> | <u>(1,627,403)</u> |
| Cash flow from financing activities | | |
| Loan receipts | - | 220,978 |
| Lease liability repayments | (83,435) | (78,294) |
| Net loan repayments | (546,592) | - |
| Net cash proceeds on share placement | 4,998,310 | - |
| Net cash provided by financing activities | <u>4,368,283</u> | <u>142,684</u> |
| Net (decrease) / increase in cash and cash equivalents | 3,559,415 | (944,037) |
| Cash and cash equivalents at beginning of full-year | 873,960 | 2,532,285 |
| Cash and cash equivalents at end of half-year | <u>4,433,375</u> | <u>1,588,249</u> |

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

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

1 Summary of significant accounting policies

(a) Reporting entity

Beam Communications Holdings Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange (ASX Code: BCC). The consolidated interim financial report of the company as at 31 December 2020 comprises the parent company and its subsidiaries (together referred to as 'the consolidated entity' or 'the Group').

(b) General information and basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2020 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not include all of the information required in annual financial statements in accordance with Australian Accounting Standards. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2020, together with any public announcements made during the following half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The consolidated interim financial statements have been approved and authorised for issue by the Board of Directors on 24 February 2021.

(c) Accounting policies

The accounting policies applied in preparing these consolidated financial statements for the half-year ended 31 December 2020 are the same as those applied by the consolidated entity in its consolidated annual financial report as at and for the year ended 30 June 2020.

(d) New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments and Interpretations effective for the current year that are relevant to the Group are:

- AASB 2018-6 Amendments to AASs Definition of a Business
- AASB 2018-7 Amendments to AASs Definition of Material
- AASB 2019-1 Reference to conceptual framework
- AASB 2019-3 Amendments to AASs Interest Rate Benchmark Reform Business
- AASB 2019-5 Amendments to AASs Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia Business
- AASB 2020-4 Amendments to Australia Accounting Standards - COVID-19 Related Rent Concessions

In the current half-year, the adoption of new or amended Accounting Standards or Interpretations has not had any material impact on the disclosures or on the amounts reported in the financial statements.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2 Earnings per share

Both the basic and diluted earnings per share have been calculated using the earnings attributable to shareholders of the Parent Company as the numerator, i.e. no adjustments to earnings were necessary for the six months to 31 December 2020 and 31 December 2019.

Overall operations

| | | |
|----------------------------|------|------|
| Basic earnings per share | 0.31 | 0.30 |
| Diluted earnings per share | 0.31 | 0.30 |

No. No.

| | | |
|--|------------|------------|
| Weighted average number of ordinary shares used in the calculation of Basic / Diluted Earnings Per Share | 59,312,286 | 52,873,452 |
|--|------------|------------|

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Half-year ended | |
|--------------------------|-----------------|---------------|
| | 31-Dec-20 | 31-Dec-19 |
| | \$ | \$ |
| 3 Income tax | | |
| Current tax expense (a) | 2,633 | 88,837 |
| Deferred tax expense (b) | 186,268 | 6,673 |
| | <u>188,901</u> | <u>95,510</u> |

(a) Income tax expense comprises current year tax of \$2,633 incurred by the Group's USA subsidiary which is unable to be claimed against Australian tax losses.
(b) The deferred tax expense reflects the movements in the deferred tax 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.

| | Half-year ended | Full-year ended |
|--|------------------|------------------|
| | 31-Dec-20 | 30-Jun-20 |
| | \$ | \$ |
| 4 Trade and other receivables | | |
| (a) Trade and other receivables consist of the following: | | |
| Trade receivables | 1,198,931 | 1,342,615 |
| Less: Provision for expected credit losses | - | - |
| Other receivables and prepayments | 711,687 | 881,854 |
| Rental & other security deposits | 113,292 | 113,523 |
| | <u>2,023,910</u> | <u>2,337,993</u> |

| (b) Ageing reconciliation | Gross amount | Within trade terms | Past due but not impaired (days overdue) | | | Past due & impaired |
|----------------------------------|--------------|--------------------|--|---------|---------|---------------------|
| | | | 31 - 60 | 61 - 90 | 90+ | |
| 31-Dec-20 | | | | | | |
| <u>Current</u> | | | | | | |
| Trade receivables | 1,198,931 | 841,166 | 57,600 | 28,131 | 272,034 | - |
| Other receivables | 711,687 | 711,687 | - | - | - | - |
| Rental & other security deposits | 113,292 | 113,292 | - | - | - | - |
| | | | | | | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 0% | 0% |
| 30-Jun-20 | | | | | | |
| <u>Current</u> | | | | | | |
| Trade receivables | 1,342,615 | 1,135,181 | 202,932 | 66 | 4,436 | - |
| Other receivables | 881,854 | 881,854 | - | - | - | - |
| Rental & other security deposits | 113,523 | 113,523 | - | - | - | - |
| | | | | | | |
| 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.

| | Half-year ended | Full-year ended |
|---|------------------|------------------|
| | 31-Dec-20 | 30-Jun-20 |
| | \$ | \$ |
| 5 Right-of-use assets | | |
| (a) Cost | | |
| Balance recognised at the beginning of the period | 677,829 | 677,829 |
| Additions | - | - |
| Balance at the end of period | <u>677,829</u> | <u>677,829</u> |
| (b) Accumulated depreciation | | |
| Balance at the beginning of period | (158,761) | - |
| Charge for the year | (79,380) | (158,761) |
| Balance at the end of period | <u>(238,141)</u> | <u>(158,761)</u> |
| Carrying amount | <u>439,688</u> | <u>519,068</u> |

The Group leases several assets which includes building, forklift and printers with original lease terms of 9, 3 and 5 years respectively. The remaining lease terms at the end of the current reporting period are all less than 3 years.

There are no variable lease payment terms in any lease contracts. There are no extension or termination options on the leases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Half-year ended | |
|---|------------------|------------------|
| | 31-Dec-20 | 31-Dec-19 |
| | \$ | \$ |
| 5 Right-of-use assets (continued) | | |
| (c) Amount recognised in profit or loss | | |
| Depreciation expense on right-of-use assets | 79,380 | 79,380 |
| Interest expense on lease liabilities | 24,412 | 30,328 |
| Expense relating to short-term leases | 1,800 | - |
| Expense relating to leases of low value assets | 4,467 | 11,734 |
| (d) Lease liabilities | | |
| 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%. | | |
| 6 Intangible assets | | |
| Development costs capitalised - at cost | 17,813,168 | 16,623,642 |
| Accumulated amortisation and impairment | (13,225,707) | (12,820,481) |
| | <u>4,587,461</u> | <u>3,803,161</u> |
| (a) Movements in carrying amounts | | |
| Balance at the beginning of period | 3,803,161 | 5,580,260 |
| Additional costs capitalised | 1,189,526 | 2,534,199 |
| Amortisation expense | (405,226) | (1,520,080) |
| Impairment expense | - | (2,791,218) |
| Balance at the end of period | <u>4,587,461</u> | <u>3,803,161</u> |
| 7 Trade and other payables | | |
| Current | | |
| Trade payables and accruals | 2,595,554 | 2,258,898 |
| Deferred income | 319,382 | 526,139 |
| | <u>2,914,936</u> | <u>2,785,037</u> |
| 8 Finance facilities | | |
| Current | | |
| Secured loan (a) | <u>200,000</u> | <u>971,392</u> |
| Non Current | | |
| Secured loan (b) and (c) | 997,267 | 758,703 |
| Unsecured loan (d) | - | 60,034 |
| | <u>997,267</u> | <u>818,737</u> |

Secured loans

- (a) The Group had a secured loan finance facility with SGV1 Holdings Limited for US\$2,000,000 and US\$666,666 had been drawn down. The loan was fully repaid on 28 October 2020 and the facility has been terminated. On 1 July 2020 the Group received a 3 year term loan from the National Australia Bank of \$500,000, a business support loan designed to help mitigate the impact of COVID-19 and partially secured by the Australian government. As at 31 December 2020, the current payable balance of the loan was \$200,000. See also Note 8 (c).
- (b) 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. As at 31 December 2020, US\$600,000 (A\$697,267) has been drawn down. The total loan balance of A\$697,267 represents the fair value of the loan at 31 December 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) On 1 July 2020 the Group received a 3 year term loan of \$500,000 from the National Australia Bank, as explained in Note 8 (a). As at 31 December 2020, the non-current payable balance of the loan was \$300,000.
- (d) **Unsecured loans**
The Group had an unsecured loan facility with supplier DEK Technologies Pty. Ltd. for A\$400,000 to fund the Iridium SFX development costs and \$113,987 had been drawn down. Beam repaid the loan in full in October 2020 and the facility has been terminated.

(e) Bank facilities

All bank facilities are secured by first ranking Registered Mortgage Debenture over the Consolidated Group's assets including uncalled capital and called but unpaid capital. At 31 December 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 31 December 2020.

- a US dollar overdraft with a limit of US\$320,000. The US dollar overdraft was not utilised at 31 December 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 31 December 2020.

The Consolidated Group's banking facilities are no longer subject to the Group satisfying quarterly covenants set by the bank. The bank reconfirmed the banking facilities as continuing on 18 August 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

| | Half-year ended | | Full-year ended | |
|-----------------------------------|-------------------|-------------------|-------------------|------------------|
| | 31-Dec-20 | | 30-Jun-20 | |
| | Shares | \$ | Shares | \$ |
| 9 Issued capital | | | | |
| Issued and paid up capital | | | | |
| Ordinary shares fully paid | 75,052,952 | 12,736,255 | 52,873,452 | 7,646,641 |
| Total issued capital | <u>75,052,952</u> | <u>12,736,255</u> | <u>52,873,452</u> | <u>7,646,641</u> |
| | Number of | \$ | | |
| | shares | | | |
| Balance at 30 June 2020 | 52,873,452 | 7,646,641 | | |
| Shares Issued (a) | 22,179,500 | 5,089,614 | | |
| Balance at 31 December 2020 | <u>75,052,952</u> | <u>12,736,255</u> | | |

(a) Shares issued

During the half-year, the Group issued two placement tranches for 13,218,362 and 8,053,638 ordinary shares on 19 October 2020 and 8 December 2020 respectively each for \$0.25 per share. The total transaction costs for issuance of the shares was \$434,893. Proceeds from the capital raise will be used to close high-interest loan facilities and fund sales and device development activities. Also, 907,500 options granted to a director on 24 December 2015 were exercised on 30 November 2020.

(b) Options over issued capital

During the half-year, the Group issued 7,090,667 share options to participants in a placement, and 1,500,000 share options to the Group's corporate advisor, Peak Asset Management, as payment for corporate advisory services provided. Shareholder approval for the issue of options was obtained at the Company's Annual General Meeting on 30 November 2020. The share options granted to Peak Asset Management had a fair value at the grant date of \$0.057 per share option.

The total number of potential ordinary shares attributable to options outstanding as at 31 December 2020 is 8,590,667 (30 June 2020: 1,697,025). The following share based payment arrangements existed at 31 December 2020.

- (i) 789,525 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).

789,525 options were lapsed on 31 August 2020.

- (ii) 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).

These options were exercised on 30 November 2020 and 907,500 shares were issued on 3 December 2020.

- (iii) On 30 November 2020, 7,090,667 options were granted in respect of the placement of shares noted in (a) above and 1,500,000 options were granted to the Group's corporate advisor, Peak Asset Management. These options have an expiry date of 31 December 2022 on the terms and conditions set out in the placement agreement. These options were exercisable from 30 November 2020 at \$0.50 per share (Issue BCC60 & BCC61).

10 Segment reporting

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

11 Revenue

The Group's revenue disaggregated as follows:

| | Half-year ended | |
|---|------------------|------------------|
| | 31-Dec-20 | 31-Dec-19 |
| | \$ | \$ |
| Type of goods or services | | |
| Equipment sales | 8,106,162 | 5,708,063 |
| Airtime | 438,400 | 985,051 |
| Other | 409,161 | 422,917 |
| | <u>8,953,723</u> | <u>7,116,032</u> |
| Geographical Market | | |
| Australia | 1,494,379 | 1,555,754 |
| United States of America | 1,610,869 | 2,188,818 |
| United Kingdom | 630,647 | 560,305 |
| Canada | 3,042,455 | 519,576 |
| United Arab Emirates | 333,893 | 584,912 |
| Japan | 194,428 | 181,725 |
| China | 157,575 | 73,112 |
| Other foreign countries | 1,489,477 | 1,451,830 |
| | <u>8,953,723</u> | <u>7,116,032</u> |
| Timing of revenue recognition | | |
| Goods and services transferred at a point in time | 8,106,162 | 5,708,063 |
| Goods and services transferred over time | 847,562 | 1,407,968 |
| | <u>8,953,723</u> | <u>7,116,032</u> |

12 Financial instruments

(a) Transactions with related parties:

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

(b) Finance facility with related parties:

There was no finance facility with a related party as at 31 December 2020. The Group's secured finance facility with a major shareholder, SGV1 Holdings Limited, a company associated with Carl Hung, a former Director of Beam Communications Holdings Limited was fully settled on 28 October 2020.

13 Events after the end of the interim period

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

14 Impacts of COVID-19

During the interim period, the Group continued to recover strongly from COVID-19 without a profound impact on its sales and operations.

The Group qualified for government grants for businesses in the wake of the pandemic. Following the \$270,000 received from April to June in 2020, the Group continued to receive the first round of JobKeeper payments and the total amount received during the interim period was \$309,000. The Group became ineligible for the second phase of the grant, which commenced on 28 September 2020, due to its solid recovery in sales. Additionally, the Group was qualified for a Cash Flow Boost of \$38,000 from the Australian Taxation Office and a Business Support Fund of \$20,000 from the Victoria State Government during the half year.

DIRECTORS' REPORT

The directors of Beam Communications Holdings Limited declare that:

1. The financial statements and notes as set out in pages 7 to 15 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 31 December 2020 and of the performance for the half 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 half year ending 31 December 2020.

This declaration is made in accordance with a resolution of the Board of Directors.



Simon Wallace
Chairman

Date: 25 February 2021

RSM Australia Partners

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF

BEAM COMMUNICATIONS HOLDINGS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Beam Communications Holdings Limited which comprises the condensed consolidated statement of financial position as at 31 December 2020, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Beam Communications Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



M PARAMESWARAN
Partner

Dated: 25 February 2021
Melbourne, Victoria