

## Appendix 4D

## Half year report

## 1. Company details

Name of entity

<b>NetComm Wireless Limited</b>

ABN or equivalent company reference

85 002 490 486

Half year ended ('current period')

31 December 2011

Half year ended ('previous period')

31 December 2010

## 2. Results for announcement to the market

\$A'000's

2.1	Revenues from ordinary activities	up/down	19.8 %	to	25,219
2.2	EBITDA	From	2,619	to	(438)
2.3	(Loss)/Profit from ordinary activities after tax attributable to members				(1,325)
2.4	Net (Loss)/Profit for the period attributable to members				(1,325)
2.5	<b>Dividends</b>	Amount per security		Franked amount per security	
		N/a		N/a	
2.6	+Record date for determining entitlements to the dividend.	N/a			
<b>2.7 Brief explanation</b>					
<p>NetComm Wireless (ASX: NTC) recorded Earnings before interest, tax, depreciation and amortisation EBITDA Loss of (\$438,438) for the half year ended 31 December 2011 (1H 2012). The results are in line with guidance released on 30<sup>th</sup> September 2011. The half year result is impacted by a substantial slowdown in orders from Telstra as well as the impact of adverse exchange rates. Orders from International Carriers and contracts from commercial and industrial customers for Machine to Machine (M2M) products are biased to the second half of the financial year.</p> <p>The company continues to expand its global expertise in the wireless broadband market and to supply high valued wireless broadband products to major Telecommunications carriers and major commercial and industrial users of Machine to Machine technologies.</p> <p>NetComm Wireless' outlook for forward orders is now at the highest level in its history. Most of these orders commence delivery in 2012/13.</p>					

## 3. NTA backing

	Current period	Previous corresponding Period
Net tangible asset backing per +ordinary security	8.8 cents	11.4 cents

**4.1 Control gained over entities**

Name of entity (or group of entities)

N/a
-----

Date control gained

--

Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).

N/a
-----

Profit(loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period.

N/a
-----

**4.2 Loss of control over entities**

Name of entity (or group of entities)

N/a
-----

Date control lost

--

Contribution of such entities to the reporting entity's profit/ (loss) from ordinary activities during the period (where material).

\$
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Consolidated profit/(loss) from ordinary activities of the controlled entity (or group of entities) whilst controlled during the whole of the previous corresponding period (where material).

\$
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**5 Dividends**

**Individual dividends per security**

		Date dividend is payable	Amount per security	Franked amount per security at 30% tax	Amount per security of foreign source dividend
	<b>Interim Dividend:</b>	N/a	N/a	N/a	N/a

**6 Dividend Reinvestment Plans**

The <sup>+</sup>dividend or distribution plans shown below are in operation.

N/a
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The last date(s) for receipt of election notices for the <sup>+</sup>dividend or distribution plans

N/a
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## 7 Details of associates and joint venture entities

Name of associate/joint venture	Reporting entity's percentage holding		Contribution to Net profit/(loss) (where material)	
	Current Period	Previous corresponding period	Current Period	Previous corresponding period
N/a				

Group's aggregate share of associates' and joint venture entities' profits/(losses) (where material):	Current period \$A'000	Previous corresponding period - \$A'000
Profit/(loss) from ordinary activities before tax		
Income tax on ordinary activities		
<b>Profit/(loss) from ordinary activities after tax</b>		
Extraordinary items net of tax		
<b>Net profit/(loss)</b>		
Adjustments		
<b>Share of net profit/(loss) of associates and joint venture entities</b>		

## 8 Foreign entities

For foreign entities, details of origin of accounting standards used in compiling the report (e.g. International etc.)
Not applicable

Sign here:

  
 (Managing Director)

Date: 23 February 2012

Print name:

David P.J. Stewart

**NETCOMM WIRELESS LIMITED**

**ACN 002 490 486**

**HALF YEAR FINANCIAL REPORT**

**FOR THE HALF YEAR ENDED  
31 DECEMBER 2011**

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## CORPORATE INFORMATION

### Directors

John Brennan (Non-Executive Chairman)  
David Stewart (Managing Director)  
John Burton (Non-Executive Director)  
Ken Sheridan (Finance Director)

### Company Secretary

Ken Sheridan

### Registered Office

Level 2, 18-20 Orion Rd, Lane Cove NSW 2066

### Bankers

National Australia Bank

### Share Registry

Link Market Services Limited  
Level 12, 680 George St  
Sydney, NSW 2000

### Auditor

BDO Audit (NSW-VIC) Pty Ltd  
Level 19, 2 Market Street  
Sydney NSW2000

### Solicitors

**Maddocks**  
Angel Place  
123 Pitt St, Sydney NSW 2000

### DLA Phillips Fox

201 Elizabeth St Sydney NSW 2000

## DIRECTORS' REPORT

Your directors present their report on the company and its controlled entities for the half-year ended 31 December 2011.

### 1. DIRECTORS

The following persons were Directors of NetComm Limited during the whole of the half year and up to the date of this report unless stated otherwise:

John Brennan	(Non-Executive Chairman)
David Stewart	(Managing Director)
John Burton	(Non Executive Director)
Ken Sheridan	(Finance Director)
Terry Winters*	(Non-Executive Director)

\*Resigned 13<sup>th</sup> December 2011

### 2. PRINCIPAL ACTIVITIES

The Group's principal activities include the development of innovative broadband products for telecommunications carriers and ISPs worldwide. NetComm Wireless has developed a solid portfolio of data communication products, including world's first broadband HSPA+ and LTE routers and is today a respected global provider of HSPA+, LTE, machine to machine (M2M) wireless and fibre access devices.

### 3. REVIEW AND RESULTS OF OPERATIONS

NetComm (ASX: NTC) recorded Earnings before interest, tax, depreciation and amortisation (EBITDA) loss of (\$438,438) for the half year ended 31 December 2011 (1H 2012).

NetComm has posted Revenue from sales of products and services in the both Australia and the global market of \$25,219,313 million for the first half 2012. The sales revenue growth over the previous corresponding period is down by 19.8 %.

The company continues on its mission to expand its global expertise in the mobile broadband market and to supply high valued wireless broadband products to major Telecommunications carriers and major commercial and industrial users of Machine to Machine technologies.

NetComm's outlook for forward orders is now at the highest level in its history. Most of these orders commence delivery in 2012/13.

### 4. AUDITOR'S INDEPENDENCE DECLARATION

We have received from our auditors an independence declaration as required under Section 307C of the *Corporations Act 2001*. A copy of the declaration is attached on page 2 and forms part of this report.

This report is made in accordance with a Resolution of the Directors.



**Managing Director**  
Sydney, 23 February 2012

AUDITOR INDEPENDENCE DECLARATION



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the half year ended 31 December 2011

	Consolidated	
	31 December 2011	31 December 2010
Note	\$	\$
<b>Continuing Operations</b>		
Revenue from the sale of goods	25,219,313	31,427,263
Change in inventories of finished goods and work in progress	2,484,568	(1,427,217)
Raw materials consumed	(20,774,354)	(19,256,497)
Employee benefits	(4,469,194)	(4,153,388)
Administrative expenses	(1,626,735)	(1,852,135)
Other expenses	3 (1,272,036)	(2,118,551)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(438,438)	2,619,475
Depreciation and amortisation expense	(1,273,933)	(1,172,340)
Finance costs	(169,481)	(223,901)
<b>Profit/(loss) before income tax</b>	(1,881,852)	1,223,234
Income tax (expense)/benefit	556,757	(792,386)
<b>Profit/(loss) after income tax</b>	<b>(1,325,095 )</b>	<b>430,848</b>
Attributable to owners of the parent	<b>(1,325,095 )</b>	<b>430,848</b>
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	(18,278)	(81,586)
Income tax relating to components of other comprehensive income	-	-
<b>Other comprehensive income for the period (net of tax)</b>	<b>(18,278)</b>	<b>(81,586)</b>
<b>Total comprehensive income for the period</b>	<b>(1,343,373 )</b>	<b>349,262</b>
Attributable to owners of the parent	<b>(1,343,373)</b>	<b>349,262</b>
<b>Earnings per share:</b>		
From continuing operations		
Basic earnings per share (cents per share)	(1.28)	0.42
Diluted earnings per share (cents per share)	(1.28)	0.39

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 December 2011

	Note	Consolidated	
		31 December 2011 \$	30 June 2011 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,796,420	4,647,931
Trade and other receivables		6,356,580	10,466,266
Inventories		9,189,469	6,704,900
Other current assets		913,650	881,300
<b>Total current assets</b>		<b>21,256,119</b>	<b>22,700,397</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,007,657	2,004,552
Deferred tax assets		2,310,419	1,958,678
Goodwill		895,999	895,999
Other intangible assets		3,492,094	3,191,076
Other non-current inventories		529,079	529,079
<b>Total non-current assets</b>		<b>9,235,248</b>	<b>8,579,384</b>
<b>TOTAL ASSETS</b>		<b>30,491,367</b>	<b>31,279,781</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		6,929,787	8,980,014
Borrowings		8,355,757	5,531,999
Provisions		1,164,367	1,178,058
Income tax liability		-	-
Other current liabilities		120,988	211,262
<b>Total current liabilities</b>		<b>16,570,899</b>	<b>15,901,333</b>
<b>Non-current liabilities</b>			
Borrowings		294,226	443,467
Provisions		85,468	94,334
<b>Total non-current liabilities</b>		<b>379,694</b>	<b>537,801</b>
<b>TOTAL LIABILITIES</b>		<b>16,950,593</b>	<b>16,439,134</b>
<b>NET ASSETS</b>		<b>13,540,774</b>	<b>14,840,647</b>
<b>EQUITY</b>			
Issued capital	5	9,840,273	9,796,773
Reserves		228,350	246,628
Retained earnings		3,472,151	4,797,246
<b>TOTAL EQUITY</b>		<b>13,540,774</b>	<b>14,840,647</b>

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the half year ended 31 December 2011

<b>Consolidated</b>		<b>Ordinary Shares</b>	<b>Retained Earnings</b>	<b>Foreign Currency Translation Reserve</b>	<b>Option Reserve</b>	<b>Total</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2011</b>		<b>9,796,773</b>	<b>4,797,246</b>	<b>(105,848)</b>	<b>352,476</b>	<b>14,840,647</b>
Profit for the period			(1,325,095)			(1,325,095)
Exchange difference on translation of foreign operations		-	-	(18,278)	-	(18,278)
<b>Total comprehensive income for the period</b>		-	(1,325,095)	(18,278)	-	(1,343,374)
Contributions of equity net of transaction costs		-	-	-	-	-
Recognition of share based payments		-	-	-	-	-
Exercise of options		43,500	-	-	-	43,500
Payment of dividends	<b>4</b>	-	-	-	-	-
<b>Balance at 31 December 2011</b>		<b>9,840,273</b>	<b>3,472,151</b>	<b>(124,126)</b>	<b>352,476</b>	<b>13,540,774</b>

For the half year ended 31 December 2010

<b>Consolidated</b>		<b>Ordinary Shares</b>	<b>Retained Earnings</b>	<b>Foreign Currency Translation Reserve</b>	<b>Option Reserve</b>	<b>Total</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance at 1 July 2010</b>		<b>9,649,395</b>	<b>6,514,621</b>	<b>(54,639)</b>	<b>287,512</b>	<b>16,396,889</b>
Profit for the period			430,848			430,848
Exchange difference on translation of foreign operations		-	-	(81,586)	-	(81,586)
<b>Total comprehensive income for the period</b>		-	430,848	(81,586)	-	349,262
Contributions of equity net of transaction costs		10,080	-	-	-	10,080
Recognition of share based payments		-	-	-	185,188	185,188
Exercise of options		-	-	-	(38,624)	(38,624)
Payment of dividends	<b>4</b>	-	(515,228)	-	-	(515,228)
<b>Balance at 31 December 2010</b>		<b>9,659,475</b>	<b>6,430,240</b>	<b>(136,225)</b>	<b>434,076</b>	<b>16,387,566</b>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the half year ended 31 December 2011

	<b>Consolidated</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities:</b>		
Receipts from customers	32,256,985	35,467,660
Payments to suppliers and employees	(32,865,089)	(36,116,216)
Finance costs	(169,481)	(213,846)
Income taxes paid	(223,036)	(345,258)
<b>Net cash (used in) operating activities</b>	<b>(1,000,621)</b>	<b>(1,207,660)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of plant and equipment	760	-
Interest received	-	-
Acquisition of property, plant and equipment	(277,651)	(356,534)
Acquisition of intangible assets	(1,292,017)	(907,430)
Deferred settlement payment	-	(175,000)
<b>Net cash (used in) investing activities</b>	<b>(1,568,908)</b>	<b>(1,438,964)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issue of shares	43,500	10,080
Proceeds from borrowings	25,972,269	25,550,924
Repayment of borrowings	(23,297,751)	(21,042,317)
Dividends paid	-	-
<b>Net cash provided by financing activities</b>	<b>2,718,018</b>	<b>4,518,687</b>
<b>Net increase / (decrease) in cash and cash equivalents held</b>	<b>148,489</b>	<b>1,872,063</b>
Cash and cash equivalents at beginning of financial period	4,647,931	4,250,948
Effect of exchange rates on cash holdings in foreign currencies	-	-
<b>Cash and cash equivalents at end of financial period</b>	<b>4,796,420</b>	<b>6,123,011</b>

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the half year ended 31 December 2011

### **Note 1 – Significant Accounting Policies**

#### **Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

#### **Basis of preparation**

The consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011. The accounting policies are consistent with the Australian Accounting Standards and with International Financial Reporting Standards.

### **Note 2 – Segment Information**

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Board of Directors for the purposes of resource allocation and assessment of performance is more specifically focused on the product grouping and category of customer. The Group's reportable segments under AASB 8 are therefore as follows:

- Product - Australia
- Product - International
- Services – Australia

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the half year ended 31 December 2011

**Note 2 – Segment Information (continued)**

The product reportable segment supplies communication devices, including but not limited to Wireless Internet Gateways, designed and manufactured for use primarily by consumer and small medium enterprises (SME). The services reportable segment provides communications related services, including but not limited to Gateway managed services, consumed primarily by consumer and small medium enterprises (SME).

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Revenue		Segment Profit	
	31-Dec 2011 \$	31-Dec 2010 \$	31-Dec 2011 \$	31-Dec 2010 \$
<b>Continuing Operations</b>				
<b>Revenue generated from external customers</b>				
Product - Australia	18,578,247	25,063,455	234,663	3,150,281
Product - International	6,583,782	6,304,046	(653,343)	(24,449)
Services - Australia	57,284	59,762	(19,772)	(476,997)
<b>Intersegment Revenue</b>				
Product - Australia	1,913,722	626,471	-	-
Product - International	125,862	44,225	-	-
Services - Australia	-	-	-	-
Intersegment Eliminations	(2,039,584)	(670,696)	-	-
	<b>25,219,313</b>	<b>31,427,263</b>	<b>(438,438)</b>	<b>2,648,835</b>
Other income			-	-
Depreciation and amortisation expense			(1,273,933)	(1,172,340)
Finance costs			(169,481)	(253,261)
<b>Profit/(loss) before tax</b>			<b>(1,881,852)</b>	<b>1,223,234</b>
Income tax (expense)/benefit			556,757	(792,386)
<b>Consolidated segment revenue and profit for the period</b>	<b>25,219,313</b>	<b>31,427,263</b>	<b>(1,325,095)</b>	<b>430,848</b>

The revenue reported above represents revenue generated from external customers. Intersegment revenues represent transfers between segments, which are eliminated on consolidation.

Revenues from a single customer greater than 10% of total revenues reside in the Product – International segment. Segment profit represents the profit earned by each segment without allocation of other income, finance costs and depreciation and amortisation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the half year ended 31 December 2011

**Note 3 – Expenses**

	<b>Consolidated</b>	
	<b>31-Dec 2011</b>	<b>31-Dec 2010</b>
	<b>\$</b>	<b>\$</b>
<b>Other Expenses</b>		
Distribution and Selling Costs	457,475	456,219
Occupancy Expense	409,837	743,509
Other Expense	404,724	918,823
<b>Total Other Expenses</b>	<b>1,272,036</b>	<b>2,118,551</b>

**Note 4 – Dividends**

	<b>Half Year Ended 31-Dec 2011</b>		<b>Half Year Ended 31-Dec 2010</b>	
	<b>Cents per Share</b>	<b>Total \$'000</b>	<b>Cents per Share</b>	<b>Total \$'000</b>
<b>Fully Paid Ordinary Shares</b>				
Interim Dividend	-	-	0.5	515,228

**Note 5 – Issuances, repurchase and repayments of equity securities**

Issued capital at 31 December 2011 amounted to \$9,840,273 (104,258,864 ordinary shares). During the half-year reporting period the company issued 501,250 ordinary shares for \$43,500 on exercise of 501,250 share options under its share option plan.

**Note 6 – Discontinued operations**

There were no discontinued operations to report

**Note 7 – Events occurring after reporting date**

NetComm Wireless Limited has had no significant events occurring after the period end up to the date of this report.

**Note 8 – Contingent Liabilities**

There have been no changes from what was reported in the previous annual report.

**Note 9 – Acquisition of subsidiary**

There were no acquisitions of subsidiaries to report.

## **DIRECTORS' DECLARATION**

The directors declare that:

- (a) in the directors' 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



**David Stewart**  
**Managing Director**

Sydney, 23 February 2012





AUDITORS REPORT