

Appendix 4E

Preliminary final report

1. Company details

NETCOMM LIMITED		
ABN or equivalent company reference	Financial year ended ('current period')	Financial year ended ('previous period')
85 002 490 486	30 June 2011	30 June 2010

2. Results for announcement to the market

				\$A'000's
2.1	Revenue	Up	22.5% to	67,715
2.2	Loss after tax	Down	174% to	(1,202)
2.3	Net loss for the period attributable to members	Down	174% to	(1,202)
2.4	Dividends		Amount per security	Franked amount per security
	Final dividend proposed		Nil ¢	Nil ¢
	Interim dividend paid on 15 April 2011		0.5 ¢	0.5 ¢
2.5	Record date for determining entitlements to the final dividend		NA	

2.6 Brief explanation of any of the figures in 2.1 to 2.4 above necessary to enable the figures to be understood.

While revenues were higher in the 2011 year, the loss after tax was adversely effected by the following key items:

- 1) As previously announced to the market on 18 August 2011, the Company wrote down the carrying value of inventories relating to the Company's services business in Australia. The services business has been a loss making unit within the Company's activities in both the current and prior years. The write down represents 76% of this inventory.

The write down reduces Profit after Tax for the year ended 30 June 2011 by \$2.23 million.

As the inventory was purchased in prior years, this write down has no adverse impact on the Company's cash flows.

Given other substantial growth opportunities available to the Company, notably the contract to supply fixed wireless LTE devices to connect premises to the NBN Co's LTE broadband network, the Directors believe it is prudent to refocus the services business on a few specific opportunities that will deliver longer term value and profits.

- 2) Higher Depreciation and Amortisation costs compared to the prior year of \$717,000. This occurs mainly due to the accumulation of higher levels of capitalised Development Costs in prior years which are subject to amortisation in the current year.
- 3) Recognition of a prior period non-tax deductible amortisation expense in income tax expense for the current year amounting to \$244,000
- 4) The impact of the high Australian dollar against historical rates.

The Directors have not recommended the payment of a final dividend in order to preserve cash which will assist in funding new development activities, most notably the continued development of international sales and the new NBN fixed wireless project.

3. Consolidated Statement of Comprehensive Income

	Note	30 June 2011 \$A'000	30 June 2010 \$A'000
Revenues from operations	3.1	67,715	55,264
Expenses from operations	3.2	(62,574)	(50,820)
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) excluding significant one off items		5,141	4,444
Significant One Off Item: Write down of inventories relating to Services Business	3.3	(2,500)	-
Earnings Before Interest Tax Depreciation and Amortisation (EBITDA)		2,641	4,444
Depreciation & amortisation	3.4	(2,563)	(1,846)
Finance costs	3.4	(475)	(304)
(Loss)/Profit before income tax		(396)	2,294
Income tax (expense)	3.5	(806)	(669)
(Loss)/Profit after income tax		(1,202)	1,625
Net (loss)/profit attributable to minority interest		-	-
Net (loss)/profit for the financial year attributable to members of NetComm Limited		(1,202)	1,625
Other comprehensive (loss)/income			
Exchange differences arising on translation of foreign operations		(51)	18
Income tax relating to components of other comprehensive income		-	-
Total comprehensive (loss)/income attributable to members of NetComm Limited		(1,253)	1,643

(Loss)/earnings per share		
Basic EPS – cents	(1.17)	1.58
Diluted EPS - Cents	(1.17)	1.56

Notes to the Consolidated Income Statement

3.1 Revenue from operations

	30 June 2011 \$A'000	30 June 2010 \$A'000
Revenue		
Sales Revenue	67,679	55,201
Interest Received	32	14
Other Revenue	4	49
	67,715	55,264

3.2 Expenses from operations

	30 June 2011 \$A'000	30 June 2010 \$A'000
Cost of sales	46,856	37,338
Distribution and selling costs	893	899
Employee benefits expense	7,953	7,484
Contractor costs	1,075	628
Advertising & marketing	1,038	859
Property expenses	999	614
Legal & professional fees	671	581
Travel expenses	787	728
Insurance	257	222
Bad debt provision	115	(70)
Other	1,930	1,537
Total	62,574	50,820

3.3 Significant One Off Items

	30 June 2011 \$A'000	30 June 2010 \$A'000
Write down of inventories relating to Services Business	2,500	-
Total	2,500	-

3.4 Profit before income tax includes the following specific expenses

	30 June 2011 \$A'000	30 June 2010 \$A'000
Finance Costs paid or payable on : Finance leases		
Trade finance and deferred acquisitions	47	25
Total	428	279
Total	475	304
Depreciation and amortisation of Property, Plant and equipment (including Leasehold Improvements)	463	360
Amortisation of Intangible assets (including capitalised development costs, software and other intangible assets)	2,100	1,486
Total	2,563	1,846

3.5 Income tax expense

	30 June 2011 \$A'000	30 June 2010 \$A'000
(Loss)/Profit before income tax	(396)	2,294
Income tax benefit/(expense) at the Australian tax rate 30% (2010: 30%)	119	(688)
Write down of inventories relating to services business	(480)	
Non-deductible amortisation of intangibles	(244)	
Under/(over) provision of income tax in prior year	(244)	
Other	43	19
Total income tax expense	(806)	(669)

4. Consolidated Statement of Financial Position

	30 June 2011 \$A'000	30 June 2010 \$A'000
Current assets		
Cash and cash equivalents	4,755	4,251
Receivables	10,466	8,259
Inventories	6,705	10,233
Other (prepayments)	188	330
Total current assets	22,114	23,073
Non-current assets		
Property, plant and equipment	2,004	1,374
Deferred tax assets	1,958	2,180
Goodwill	896	896
Other Intangible assets	3,192	3,846
Other non-current inventories	529	2,924
Total non-current assets	8,579	11,220
Total assets	30,693	34,293
Current liabilities		
Trade and other payables	8,980	9,917
Borrowings	4,946	5,667
Provisions	1,178	1,713
Income tax liability	-	103
Other liabilities	211	213
Total current liabilities	15,315	17,613
Non-current liabilities		
Borrowings	443	184
Provision	94	100
Total non-current liabilities	537	284
Total liabilities	15,853	17,897
Net assets	14,841	16,396
Equity		
Contributed equity	9,797	9,649
Reserves	247	233
Retained earnings	4,797	6,514
Total equity	14,841	16,396

5. Consolidated Statement of Changes in Equity

For the year ended 30 June 2011

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Total
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Balance at 1 July 2010	9,649	6,514	(54)	287	16,397
Profit for the period		(1,202)			(1,202)
Exchange difference on translation of foreign operations	-	-	(51)	-	(51)
Total comprehensive income for the period	-	(1,202)	(51)	-	(1,253)
Contributions of equity net of transaction costs	148	-	-	-	148
Share buy-backs	-	-	-	-	-
Recognition of share based payments	-	-	-	98	98
Transfer from options reserve	-	-	-	(10)	(10)
Expiry of options	-	-	-	(24)	(24)
Payment of dividends		(515)	-	-	(515)
Balance at 30 June 2011	9,797	4,797	(105)	351	14,841

For the year ended 30 June 2010

	Ordinary Shares	Retained Earnings	Foreign Currency Translation Reserve	Option Reserve	Share Rights Reserve	Total
	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000	\$A'000
Balance at 1 July 2009	9,656	5,930	(72)	362	-	15,876
Profit for the period	-	1,625	-	-	-	1,625
Exchange difference on translation of foreign operations	-	-	18	-	-	18
Total comprehensive income for the period	-	1,625	18	-	-	1,643
Contributions of equity net of transaction costs	277	-	-	-	-	277
Share buy-backs	(655)	-	-	-	-	(655)
Recognition of share based payments	-	-	-	312	-	312
Transfer from option reserve	371	-	-	(371)	-	-
Expiry of options	-	-	-	(16)	-	(16)
Payment of Dividends	-	(1041)	-	-	-	(1041)
Balance at 30 June 2010	9,649	6,514	(54)	287	-	16,396

6. Consolidated Statement of Cash Flows

	30 June 2011 \$A'000	30 June 2010 \$A'000
Cash flows related to operating activities		
Receipts from customers	71,897	56,368
Payments to suppliers and employees	(66,812)	(55,048)
Interest paid	(475)	(304)
Income taxes paid	(687)	(412)
Net operating cash flows	3,923	604
Cash flows related to investing activities		
Interest received	32	14
Payment for purchases of property, plant and equipment	(1,009)	(768)
Proceeds from sale of property, plant and equipment	6	87
Payment for purchases of intangible assets	(1,443)	(2,048)
Acquisition of subsidiaries, controlled	(175)	(1,056)
Net investing cash flows	(2,589)	(3,771)
Cash flows related to financing activities		
Proceeds from issues of shares	147	277
Payment for share buy-back	-	(655)
Net proceeds/(repayment) of borrowings	(462)	4,075
Payment of dividends	(515)	(1,041)
Net financing cash flows	(830)	2,656
Net (decrease)/increase in cash and cash equivalents	504	(511)
Cash and cash equivalents at beginning of financial year	4,251	4,762
Cash and cash equivalents at end of financial year.	4,755	4,251

6.1 Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

N/A

6.2 Reconciliation of cash

Reconciliation of cash at the end of the period (as shown in the condensed consolidated cash flow statement) to the related items in the accounts is as follows.

	30 June 2011 \$A'000	30 June 2010 \$A'000
Cash on hand and at bank	4,755	4,251
Total cash at end of financial year	4,755	4,251

6.3 Reconciliation of profit after income tax to net cash inflow from operating activities

	30 June 2011 \$A'000	30 June 2010 \$A'000
Profit after income tax	(1,202)	1,625
Depreciation & amortisation	2,563	1,846
Gain on sale of property, plant & equipment	1	2
Share options expense	65	296
Interest received	(32)	(14)
Changes in operating assets & liabilities		
Receivables	(2,207)	(4,078)
Inventories	3,423	(2,250)
Write-down in inventories relating to services business	2,500	-
Other assets	142	(206)
Deferred taxes	222	313
Trade and other payables	(937)	2,992
Deferred income and other liabilities	28	(252)
Provisions	(643)	330
Net cash inflow from operating activities	3,923	604

7. Dividends

7.1 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
Final dividend:	Current year	Nil	Nil	Nil	Nil
	Previous year	Nil	Nil	Nil	Nil
Interim dividend:	Current year	15 th April 2011	0.5c	0.5c	Nil
	Previous year	30 th October 2009	1c	Nil	Nil

7.2 Total dividend per security (interim *plus* final)

	30 June 2011 \$A'000	30 June 2010 \$A'000
Ordinary securities	0.5c	1.0c

7.3 Dividend Reinvestment Plans

The dividend or distribution plans shown below are in operation.

The Company's Dividend Reinvestment Plan ("DRP") provides holders of ordinary shares of the Company with the choice of re-investing dividends paid or declared by the Company on ordinary shares instead of receiving cash dividends.

Eligible shareholders may elect to participate in the Plan in respect of all or part of their holding and, subject to the terms of the Plan, may vary the level of participation or withdraw from the Plan at any time.

Participating shareholders are entitled on each dividend payment to which the DRP applies to be allotted the nearest whole number of ordinary shares (rounded down) which the cash dividend on the relevant Plan shares in the relevant shareholding account would purchase at the issue price.

Shares allotted under the DRP are issued at a discount of 5% from the weighted average market price of ordinary shares of the Company sold on the Australian Stock Exchange Automated Trading System on the first day on which those shares are quoted ex dividend.

The last date(s) for receipt of election notices for the dividend or distribution plans

N/A

Any other disclosures in relation to dividends (distributions).

8. Consolidated retained profits

	30 June 2011 \$A'000	30 June 2010 \$A'000
Retained profits at the beginning of the financial period	6,514	5,930
Net profit attributable to members	(1202)	1,625
Dividends paid or payable	(515)	(1,041)
Retained earnings at end of financial period	4,797	6,514

9. NTA backing

	30 June 2011	30 June 2010
Net tangible asset backing per ordinary security	10.4 cents	11.3 cents

10. 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).	
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.	

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).	
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.	

10.1 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).	\$		
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).	\$		

11. 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):	30 June 2011 \$A'000	30 June 2010 \$A'000
Profit/(loss) from ordinary activities before tax		
Income tax on ordinary activities		
Profit/(loss) from ordinary activities after tax		
Extraordinary items net of tax		
Net profit/(loss)		
Adjustments		
Share of net profit/(loss) of associates and joint venture entities		

12. Commentary on results for the period

\$A'000's	1H 2011	2H 2011
Revenue	31,427	36,288
EBITDA	2,619	23
NPAT	431	(1,633)

Revenues in the second half of the year were 15.5% higher than in the first half.

Profitability has been impacted by a write-down of the carrying value of inventories relating to the company's Services business in Australia. This lowered pre-tax profits by \$2.5 million and lowered NPAT by \$2.23 million.

The stronger Australian dollar also had a greater impact on profitability in the second half compared to the first half. Additionally, the second half experienced a lower margin compared to the first half as a result of a planned clearance of lower margin products.

This report is based on accounts to which one of the following applies.

(Tick one)

- | | | | |
|-------------------------------------|---|--------------------------|---|
| <input type="checkbox"/> | The +accounts have been audited. | <input type="checkbox"/> | The +accounts have been subject to review. |
| | | <input type="checkbox"/> | The +accounts are in the process of being reviewed. |
| <input checked="" type="checkbox"/> | The accounts are in the process of being audited. | <input type="checkbox"/> | The +accounts have <i>not</i> yet been audited or reviewed. |

If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, details are described below

N/A

If the accounts have been audited or subject to review and are subject to dispute or qualification, details are described below

N/A

Sign here:



Managing Director

Date: 23 August 2011

Print name:

David P J Stewart